

Responses from P207

Consultation Issued 24 November 2006

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	IMServ Europe Limited	P207_IAR_001	0	5
2.	SmartestEnergy Ltd	P207_IAR_002	1	0
3.	Siemens Energy Services	P207_IAR_003	0	6
4.	Energywatch	P207_IAR_004	0	1
5.	Scottish and Southern Energy plc	P207_IAR_005	6	1
6.	United Utilities Electricity plc	P207_IAR_006	1	0
7.	EDF Energy	P207_IAR_007	9	0
8.	Npower Limited	P207_IAR_008	10	0
9.	E.ON UK	P207_IAR_009	10	0
10.	British Energy	P207_IAR_010	5	0
11.	Scottish Power Plc	P207_IAR_011	7	2
12.	Gaz de France ESS	P207_IAR_012	1	0
13.	BizzEnergy	P207_IAR_013	1	0
14.	Centrica	P207_IAR_014	1	0

P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Clare Hannah</i>
Company Name:	<i>IMServ Europe Limited</i>
No. of BSC Parties Represented	
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	<i>5</i>
Non Parties represented	<i>MO, HHDC and DA, NHHDC and DA</i>
Role of Respondent	<i>Party Agent</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 - 8			
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts	In order to ensure that objective decisions are taken regarding both the integrity and quality of Settlements and also the associated risks (for the benefit of all parties involved), it is essential that the committee responsible for taking such action is acting in an independent capacity and not using the opportunity to promote any commercial/political preference pertaining to their respective companies.
2.	If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.	One Vote Per Party	Whilst we do not support a REG comprised of Party representatives, should this situation arise we would recommend that there should be only one vote per Party which therefore restricts as much as possible any voting advantage that the “larger” Parties may have over the “smaller” Parties.

Q	Question	Response <small>Error!</small> Bookmark not defined.	Rationale
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – Yes / No</p> <p>LDSOS – Yes / No</p> <p>IAs – Yes / No</p> <p>IEAs – Yes / No</p> <p>TC – Yes / No</p> <p>GTP – Yes / No</p> <p>IUTP – Yes / No</p> <p>NPTP – Yes / No</p> <p>STP – Yes / No</p> <p>ECVNAs & MVRNAs – Yes / No</p>	<p>Again we do not support a REG comprised of Party representatives, and propose that this question should have been supported by some reference to the size of committee under consideration. It would also be necessary when responding to this question to consider how many “seats” each type of party would occupy.</p>

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
4.	<p>Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required? Please give rationale.</p>	Permanent seat	<p>In our experience, the BSC Auditor is one of the most knowledgeable Bodies in the Industry with an exclusive working view and appreciation of issues across all sectors of the Market. The Auditor is therefore able to provide invaluable feedback on the scale of an issue and its overall impact on all Parties/Settlement which would subsequently enable the committee to prioritise items for inclusion on a Risk Register. As a consequence we would strongly recommend that they have a permanent seat on the REG, acting in a proactive consultative capacity, irrespective of this being comprised of industry experts or party representatives.</p>
5.	<p>Do you agree that the RAB should be comprised of independent industry experts? Please give rationale.</p>	Independent Experts	<p>Response as per question 1. In addition to this we believe that this will better achieve the commitment to confidentiality required by such a committee. Whilst there is no suggestion to involve the BSC Auditor in this committee we would like to make the following observation. Section 3.2.2 notes that "RAB could determine risks based upon:</p> <ul style="list-style-type: none"> • The participant's dimensions and portfolio of metering systems • An assessment of the participant's performance history and • Knowledge of the relevant control arrangements in place at the participant for each SVA process risk" <p>The BSC auditor is the only Body with a true working knowledge and understanding of the latter two points: most information provided by ELEXON on these two points would not have been subject to any "validation" and therefore would not be as detailed or "reliable".</p>
6.	<p>Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.</p>	Yes	<p>This committee is best placed within the Industry to identify any generic issue and subsequently recommend the raising of a Modification. If this were left to a Party it could not be ensured that such action would be taken. It is imperative that every effort be taken to resolve issues at root cause rather than simply taking ongoing resolution action of the consequences and therefore this opportunity should not be wasted.</p>

Q	Question	Response ^{Error!} Bookmark not defined.	Rationale
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	We are not opposed to the RAB having the same rites as the REG with regard to recommending the raising of Modifications and believe that it would be advantageous for both to have this ability as, the RAB will meet more frequently than the REG and thus will be able to action such initiatives in a more efficient timescale. We do not agree that the issue of "closed session" should affect this decision as, a Modification could be raised by one single Party without any previous "open" discussion of any type.
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	Yes	We agree with the arguments put forward in section 4.3.5 relating to the composition of the RAB and would add that we anticipate that many current PAB members would reapply for membership of RAB. We wish to raise a question regarding the composition of this committee with regard to whether any consideration has been given to proportionate representation of the varying Parties.
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance written into the Code As high risk	The criticality of the CVA arrangements does not lend itself to a risk-based approach and therefore, as noted in section 4.2, we would support the addition of a reference to the CVA Objective in the Code.
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16			

Q	Question	Response ^{Error!} Bookmark not defined.	Rationale
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	We believe that it is essential for all participants to be able to query their Plans with the RAB, as conclusions/decisions may have been reached based on inaccurate or misinterpreted information (see response to question 5 re. committee's level of knowledge). There is increased potential for such a situation in both the inception and infancy of such a new process.
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	Yes	
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	We believe that an assurance process equally requires both an escalation and an appeals procedure: the Panel are the relevant Party to act in the first instance.
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	As per the response to question 13, it is imperative that all participants subject to an assurance process have a rite of appeal. We would question however:- 1) How an Agent is to decide upon which of its Suppliers it should approach in such a situation. 2) What options are available to an Agent in the event that a Supplier is either a) not sufficiently interested or, b) slow to assist in such a process? This question is critical for "independent" agents due to the timescales recommended for this process.
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	As per rationale expressed in response to question 12.
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
18.	Are there any further comments on P207 that you wish to make?	Yes	<p>Whilst we do not support Modification 207, as we believe that the costs cannot be justified, we wish to raise the following questions regarding the proposal: -</p> <ol style="list-style-type: none"> 1) Under such a process who would be responsible for determining the scope of the BSC audit? 2) Under such a process who would be responsible for determining the scope of the TA checks? 3) Under such a process who would be responsible for determining the scope of the work of the TAA? 4) Appendix 2 example. In the instance that “naming to peers” becomes appropriate, how will this work. Would all agents be notified of all other agents and similarly suppliers of suppliers (i.e. each party type’s own peers) or would “Parties” only receive information on both other parties and also Agents? 5) Appendix 2 example, Techniques – the example notes the setting up of a “Supplier Group” as a “common assurance technique” for a generic Supplier issue. We appreciate that this may be an example only at this stage however would like to take the opportunity to recommend that any such group be extended to include representation from all types of Parties involved in the process in question, in order to fully understand and address the issue. 6) Appendix 2 example, - the example notes advising “associated Suppliers” of an Agent’s issues – please can you advise as to how this list will be decided upon.

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12 Noon on Friday 8 December 2006** to modification.consultations@elexon.co.uk and please entitle your email '**P207 Initial Assessment Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Katie Wilkinson on 020 7380 4376, email address Katie.Wilkinson@elexon.co.uk.

P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Colin Prestwich</i>
Company Name:	<i>SmartestEnergy Ltd</i>
No. of BSC Parties Represented	<i>1</i>
Parties Represented	<i>SmartestEnergy Ltd</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>None</i>
Non Parties represented	
Role of Respondent	<i>(Supplier/ Trader / Consolidator)</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 - 8			
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Party representatives	I view the REG as an important forum for Suppliers to discuss what areas are causing <u>disproportionate</u> risk allocation amongst Suppliers; standards need to be built around this principle and not, as currently, around arbitrary variables like 97%. This focus would not exist if the group were made up of industry experts. The REG will be answerable to the Panel which is made up of “independents” so where’s the concern?
2.	If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.	One Vote Per Party	

Q	Question	Response	Rationale
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – No</p> <p>LDSOS – No</p> <p>IAs – No</p> <p>IEAs – No</p> <p>TC – No</p> <p>GTP – No</p> <p>IUTP – No</p> <p>NPTP – No</p> <p>STP – Yes</p> <p>ECVNAs & MVRNAs – No</p>	
4.	<p>Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required?</p> <p>Please give rationale.</p>	<p>Invited as required</p>	
5.	<p>Do you agree that the RAB should be comprised of independent industry experts?</p> <p>Please give rationale.</p>	<p>Independent Experts</p>	
6.	<p>Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance?</p> <p>Please give rationale.</p>	<p>Yes</p>	

Q	Question	Response	Rationale
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	No	There needs to be some semblance of structure in the arrangements; I see the RAB as subordinate to the REG on matters SVA.
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	Yes	
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance written into the Code As high risk	I'm fairly easy about this issue per se, but there must be consistency; I have suggested Generators do not need to sit on REG, but if CVA were included in the remit of REG, then obviously they should. The REG needs the authority/flexibility to make some decisions without always going to consultation. I can see in these circumstances that some parties would be concerned about making EG responsible for a flexible arrangements, given the importance of CVA.
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16			
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	Yes	

Q	Question	Response	Rationale
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	We should observe the Supplier Hub Principle in this instance.
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	I feel the current proposal with independent experts on both RAB and REG has lost a lot of the purpose of having them as separate bodies; to such an extent that, on the grounds of efficiency, if this remains the proposal, it would be better to combine the two groups in an alternative.
18.	Are there any further comments on P207 that you wish to make?	No	

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BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Jenn Jones / Tony Steele</i>
Company Name:	<i>Siemens Energy Services</i>
No. of BSC Parties Represented	<i>0</i>
Parties Represented	<i>N/a</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>6</i>
Non Parties represented	<i>NHHDA, NHHDC, MO, MA, HHDC, HHDA</i>
Role of Respondent	<i>Party Agent</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 - 8			
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts	This will ensure that the whole industry is represented, and thus risks are identified based on an overall view of the industry, rather than from specific groups.
2.	If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.	One Vote Per Party	

Q	Question	Response	Rationale
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	All BSC – Yes	As above – all BSC signatories should be involved to retain balance of expertise.
4.	<p>Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required?</p> <p>Please give rationale.</p>	Permanent seat	It is important for the BSC auditor to have a continual understanding of the perceived risks in the market place. For this reason the auditor should have a permanent seat as a non-voting member. The involvement of the auditor should be in an advisory / observational capacity.
5.	<p>Do you agree that the RAB should be comprised of independent industry experts?</p> <p>Please give rationale.</p>	Independent Experts	The RAB should be formed in the same way as the current PAB.
6.	<p>Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance?</p> <p>Please give rationale.</p>	Yes	
7.	<p>Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance?</p> <p>Please give rationale.</p>	Yes	

Q	Question	Response	Rationale
8.	<p>Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB?</p> <p>Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.</p>	No	<p>The PAB should continue in it's current format and be re-named as the RAB. This would allow for a smoother implementation / transition phase.</p>
<p>Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9</p>			
9.	<p>Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB?</p> <p>Please give rationale.</p>		<p>While the suggestion has been made that CVA be considered as same risk as SVA, i.e. not to differentiate the two markets, it would be wiser to grade the risk against the metering codes, 1 to 8, which apply to both CVA and SVA. We believe that the GSP metering should be exempted or considered as low risk due to:</p> <p>Fully compliant Code 1 metering installed. Metering are dual redundant, i.e. two sets of metering measuring the same power flow Data used for aggregation/statistical purpose i.e. not trading</p> <p>Some Generators (prior to 1993) are considered to have high risk when only one VT is available for metering. (The generator will have a dispensation against Code of Practice 1). As a rule: Fully Code 1 compliant metering should be considered as low risk. Code 1 metering with dispensation should be considered as Medium to High risk. Code 2 to Code 7,8 ... should be considered as high risk (whether dispensated or not). All Alpha codes (A to E) should be considered as high risk.</p>
<p>Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16</p>			

Q	Question	Response	Rationale
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	There may be certain factors that that RAB were not aware of when the risk management plan was formulated. Parties and party agents should have the right to bring these factors to the attention of the RAB.
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	Yes	
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	See question 10.
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	

Q	Question	Response	Rationale
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
18.	Are there any further comments on P207 that you wish to make?	No	

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Respondent:	<i>Carole Pitkeathley</i>
Company Name:	<i>Energywatch</i>
No. of BSC Parties Represented	<i>0</i>
Parties Represented	<i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>1</i>
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / Distributors / other – please state ¹): Other - Gas and electricity consumer watchdog</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
	Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 - 8		

¹ Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

Q	Question	Response	Rationale
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts	<p>The composition of the REG should fit the task which it is to perform under the new risk-based assurance regime, namely, to evaluate the risks to settlement, identify those which are most material in terms of adverse operational and financial impact on the market, and publish those risks in the Risk Evaluation Register, attributing the risks for resolution by the market or by particular participants as necessary. The use of independent (or impartial) industry experts does not imply that the REG has some monopoly on expertise on settlement risks. Indeed, we would expect the REG to undertake a thorough evaluation using whichever sources of information would assist in identifying material settlement risks. Rather, it is the approach to the work of the REG which makes independent industry experts preferable.</p> <p>If party representatives were involved, they would necessarily approach the work of the REG from the commercial viewpoint of their companies. Otherwise why object to independent experts? A subjective approach to risk evaluation creates its own risks, namely, that the conclusions are watered down, or compromised upon, to satisfy certain participants that they would not need to address the risks in a way which would deal most effectively with them. From the point of view of external stakeholders, such as ourselves, and indeed direct BSC stakeholders, it is difficult to see how a subjective approach to risk evaluation and identification provides much assurance that material risks will be effectively addressed compared to an approach which is intended to be as objective as possible.</p>

Q	Question	Response	Rationale
			<p>We have other good reasons for preferring the independent expert approach, some of which are outlined in the consultation document:</p> <ul style="list-style-type: none"> • consideration of confidential company information as part of risk evaluation does not sit well with a representative approach; • while there may be more active industry participation from those involved in settlement issues, a representative approach makes it clear that this will be based on commercial interest; • smaller BSC parties may find it difficult to have their views about risks adequately reflected, particularly if the materiality of risks are determined through voting by representatives. Smaller parties will have difficulty resourcing meetings which could tip the balance against recognition of their views; • what happens if the voting creates deadlock in terms of the risk evaluation process? Who arbitrates on whether a particular risk is • material or not?; • all parties will be able to use the consultation process to reflect their views on the risk evaluation methodology and the Risk Evaluation Register, so why have representatives at REG meetings? The consultation process has always been seen up to now as a fair and equal means of eliciting views from BSC and other interested parties so why change this approach now in favour of a more complex • governance arrangement? • we find it difficult to believe that the industry has suddenly decided to work together to address settlement issues when it has been clearly avoiding doing so up to now – otherwise why would there be so many non-compliances and qualified BSC Audit reports? A more focused approach on resolving risks which is objectively determined is a much more effective method by which to approach assurance • than one where representatives decide what level of non-compliance their companies can accept

Q	Question	Response	Rationale
2.	<p>If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.</p>	One Vote Per Party / market shares / other	We do not support the composition of the REG from party representatives – see above for reasons. We also do not believe that the intention of the modification is to change the current approach that Panel committees operate as independent experts. If the BSC Panel decided to take on the role of the REG, it would, by its very nature, be a group of independent experts.
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – Yes / No</p> <p>LDSOS – Yes / No</p> <p>IAs – Yes / No</p> <p>IEAs – Yes / No</p> <p>TC – Yes / No</p> <p>GTP – Yes / No</p> <p>IUTP – Yes / No</p> <p>NPTP – Yes / No</p> <p>STP – Yes / No</p> <p>ECVNAs & MVRNAs – Yes / No</p>	We do not support the composition of the REG from party representatives – see above for reasons. The very fact that this question highlights the number of different types of BSC parties, not to mention non-BSC parties, who may have an interest in resolving settlement non-compliances satisfactorily, suggests that there is the possibility of very large numbers of attendees at the REG. Even if the REG's membership was reduced to a manageable number through constituency voting, would those representatives reflect a rounded view? And would they need to keep consulting with all their constituents on every nuance of detail to ensure that all those views were being reflected? We consider that representative means reflecting a commercial interest. In that case, a representative member is likely to provide views on behalf of the constituent which exercises the most influence on him/her. That is not a recipe for effective risk evaluation.

Q	Question	Response	Rationale
4.	Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required? Please give rationale.	Invited as required	We agree that the BSC Auditor will have a significant input to risk evaluation and identification by the REG but we also take on board concerns that the Auditor's presence at every REG meeting may be quite costly to BSC parties. The REG should invite the Auditor where the Auditor can clearly assist the process of risk evaluation.
5.	Do you agree that the RAB should be comprised of independent industry experts? Please give rationale.	Independent Experts	The RAB should clearly be comprised of independent experts as it will have access to confidential information and will effectively carry out the functions of the current PAB, as amended under the revised approach to performance assurance.
6.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	We agree that the REG has a strategic role in evaluating, identifying and prioritising risks. If the REG feels that it needs to tackle this role in a different way, it should have the ability to recommend to the Panel that a modification is raised.

Q	Question	Response	Rationale
7.	<p>Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.</p>	Yes	<p>We believe that the RAB has a crucial role in managing the operation of effective risk assurance. If the RAB identifies different performance assurance techniques which are not currently in its 'toolbox' of techniques but are required, it should be entitled to recommend to the Panel that a modification is raised to add to the 'toolbox'. Whether the Panel agrees to the recommendation is up to the Panel. These Panel discussions occur in open session at Panel meetings and so are matters of public record. If the Panel did agree to raise a modification, the modification would need to go through a process of open consultation. This provides a number of safeguards to BSC Parties that the recommendation will be given a thorough airing before anything is actually implemented, itself a matter for the Authority. In those circumstances, any issues around what is discussed in closed session at the RAB prior to a recommendation are more than adequately dealt with.</p> <p>We also do not agree that the REG should act as a further barrier to agreement on a recommendation by the RAB. We have demonstrated above how many possible hurdles the RAB would need to clear before its recommendation is accepted. If the RAB, as a Panel committee of independent experts carrying out its task objectively, can make a strong case for access to additional techniques, this should improve the flexibility of the assurance regime. Otherwise, there is a real risk that effective risk assurance gets bogged down in overly bureaucratic decision-making.</p>
8.	<p>Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.</p>	Yes	<p>We agree that there should be a new body called the RAB which provides a clean break with the previous performance assurance regime. The effect of P207 is to introduce a different delivery mechanism for performance assurance (risk-based rather compliance-based) and so the institutions that carry out that task should be different, including in name, reflecting the alternative approach. This does not preclude the Panel appointing largely the same people to the RAB who are currently members of the PAB. This is purely a matter for the Panel, however.</p>

Q	Question	Response	Rationale
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			
9.	<p>Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determined by the REG and the assurance techniques applied determined by the RAB?</p> <p>Please give rationale.</p>	<p>CVA Assurance determined by the REG and RAB</p>	<p>We note the views expressed at the mod group about the absence of detailed discussion about CVA Assurance in the PAF Core Working Group. While the focus was largely on SVA Assurance, this does not mean that CVA Assurance requires the retention of the current performance assurance regime to run in parallel with the risk-based approach sought under P207. That would clearly be inefficient and costly.</p> <p>The question then is whether CVA Assurance can and ought to be covered by the same two-stage approach to risk-based assurance sought for SVA Assurance. We believe that, based on the discussions at the group, there seems no logical reason why the REG cannot evaluate and identify risks to CVA Assurance against a CVA Objective(s) which are equivalent to those which P207 seeks to introduce for SVA Assurance. If the natural conclusion of that approach is that the CVA market requires a compliance-based outcome (a full compliance audit), then we do not see why the REG will take a great deal of time to reach that conclusion.</p> <p>The aim of P207 is to introduce a robust set of governance arrangements which ensure maximum flexibility. If the REG is precluded from considering CVA Assurance through a risk-based approach by hard-wiring of CVA Assurance in the BSC as compliance-based, there are significant disadvantages to achieving flexibility. If risks in the CVA market change, how would these be picked up? The RAB is tasked with monitoring and compliance and not the evaluation and identification of material risks so you immediately have a problem. Similarly, if there are any risks which translate across the SVA and CVA markets, these may not be picked up without the REG's involvement. If it was decided to address these issues by raising a modification to amend the BSC, it is well known that this process can take some time – costly and inefficient?</p>

Q	Question	Response	Rationale
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16			
			<p>As the REG's work will be subject to open consultation, we believe that there are all the safeguards, and flexibility, of good governance by applying the two-stage approach to CVA Assurance as well as SVA Assurance without any real detriment to process or adapting to a changing market.</p> <p>To be absolutely clear, we regard application of the two-stage approach to CVA Assurance to be part of the original modification. Any hard-wiring of the compliance-based approach in the BSC is an alternative mod.</p>
10.	<p>Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.</p>	Yes	<p>It is a principle of natural justice that the other side of an argument should be heard. The query process gives life to that principle as the individual Risk Management Plans (RMPs) are not a matter of strict liability but can be questioned when substantive or procedural errors occur in their development.</p>
11.	<p>Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.</p>	Yes	<p>We agree that if there are substantive reasons or procedural issues which lead the participant to believe that its RMP is lacking in fairness, then it can raise a query. This ought to preclude frivolous or vexatious attempts to delay implementation of the RMP.</p>
12.	<p>Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.</p>	Yes	<p>Again, it is difficult to argue against this on the basis of natural justice. The grounds of the appeal should be well-defined however, and not run over previous ground unless clear substantive or procedural defects have occurred.</p>
13.	<p>Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.</p>	Yes	<p>We do not believe that Party Agents should have a direct right of appeal as they are not BSC Parties or signatories. However, we do consider that it is very likely that there will be a BSC Party (the associated Supplier) whose own RMP will reflect the same risk and application of assurance techniques as that in the Agent's RMP and that the appeal should be raised by that Party.</p>

Q	Question	Response	Rationale
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	However, there needs to be a tight interpretation of commercial interests that does not allow a Party to argue that any commercial impact upon it arising out of the RMP would unfairly prejudice its interests. It is unlikely that there will be a zero impact on a Party and some costs may need to be expended to rectify a material risk. However, if that deals effectively with the risk for the benefit of the Party and the market in general, that is a necessity in terms of compliance with the BSC, not an optional extra.
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	Again, this cannot be precluded by the principles of natural justice but should be done only based on tightly observed criteria – substantive or procedural errors.
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	See above (Question 14) for our rationale.
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
18.	Are there any further comments on P207 that you wish to make?	Yes	We had thought that P207 was a relatively straightforward introduction of more effective governance arrangements and we hope that the mod group still believes this to be the case. We feel that the mod group may be seeking to over-compensate in terms of protective measures that ensure that there is no 'naming and shaming' of non-compliant Parties, justified or not. In our view, P207 is intended to improve compliance significantly, improve data quality significantly and reduce settlement costs considerably. We believe that all market participants would agree with these sentiments and that to spend a little to save a lot, whether on an individual Party basis or across the market, is a price worth paying for effective settlement arrangements.

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12 Noon on Friday 8 December 2006** to modification.consultations@elxon.co.uk and please entitle your email '**P207 Initial Assessment Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Katie Wilkinson on 020 7380 4376, email address Katie.Wilkinson@elxon.co.uk.

P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	Sue Edwards
Company Name:	Scottish and Southern Energy plc
No. of BSC Parties Represented	6
Parties Represented	SSE Energy Supply Ltd, SSE Generation Ltd, Keadby Generation Ltd, Medway Power Ltd, Southern Electric Power Distribution plc, Scottish Hydro-Electric Power Distribution Ltd
No. of Non BSC Parties Represented (e.g. Agents)	1
Non Parties represented	SSE Power Distribution Ltd
Role of Respondent	Supplier/Generator/ Party Agent / Distributor
Does this response contain confidential information?	

Q	Question	Response	Rationale
Please refer to section 4.3 of the consultation document for the Modification Group's discussions relating to Questions 1 - 8			
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent industry experts	This matches the existing arrangements for all other Panel committees. We also feel that it should be held in open session to support transparency.
2.	If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.	See response 1	

Q	Question	Response	Rationale
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	See response 1	
4.	<p>Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required?</p> <p>Please give rationale.</p>	Invited as required	It is not always necessary to have the BSC Auditors opinion it would be a waste of money to have the BSC Auditor to attend every meeting.
5.	<p>Do you agree that the RAB should be comprised of independent industry experts?</p> <p>Please give rationale.</p>	Yes	Follows existing arrangements for Panel committees
6.	<p>Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance?</p> <p>Please give rationale.</p>	Yes	There is more weight behind such a recommendation than if it were to come from an individual party.
7.	<p>Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance?</p> <p>Please give rationale.</p>	Yes	There is more weight behind such a recommendation than if it were to come from an individual party.

Q	Question	Response	Rationale
8.	<p>Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB?</p> <p>Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.</p>	Yes	Even though the function of RAB will be similar to the existing PAB, we think that there is merit in rebdging it as part of the introduction of the new PAF
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			
9.	<p>Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB?</p> <p>Please give rationale.</p>	CVA Assurance written into the Code As high risk	In view of the potential for huge damages in the CVA market it should be written into the Code as high risk and full compliance should continue to be enforced.
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16			
10.	<p>Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB?</p> <p>Please give rationale.</p>	Yes	Parties know their own systems and processes best and may be able to bring additional information that could affect the RMP
11.	<p>Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB?</p> <p>Please give rationale.</p>	Yes	In broad terms
12.	<p>Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel?</p> <p>Please give rationale.</p>	Yes	As the highest authority in the BSC CO it would be logical for participants to be able to appeal to the Panel.

Q	Question	Response	Rationale
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	Yes. The Supplier foots the bill so should have the right to veto an appeal.
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	In broad terms
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	No	We would like to encourage self-governance, and believe the Panel to be sufficient level of appeal.
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	No	See 15. above.
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
18.	Are there any further comments on P207 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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Any queries on the content of the consultation pro-forma should be addressed to Katie Wilkinson on 020 7380 4376, email address Katie.Wilkinson@elexon.co.uk.

P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Name: Frank Welsh</i>
Company Name:	<i>United Utilities Electricity plc</i>
No. of BSC Parties Represented	<i>One</i>
Parties Represented	<i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i>
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / Distributors / other – please state ¹) Distributor</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 - 8			
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts / Party representatives	United Utilities believes that Independent Experts would provide the most effective input in terms of Performance Management. This is to ensure that each participant capacity (LDSO) within the settlements market are fairly represented in proportion to the impact on their individual businesses.

¹ Delete as appropriate – please do not use knockout, this is to make it easier to analyse the responses

Q	Question	Response	Rationale
2.	<p>If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.</p>	<p>One Vote Per Party / market shares / other</p>	<p>United Utilities is of the opinion that one vote per BSC party is essential to ensure that when individual BSC Party risks are raised they are not diluted by a market shares mechanism.</p>
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – Yes / No</p> <p>LDSOS – Yes / No</p> <p>IAs – Yes / No</p> <p>IEAs – Yes / No</p> <p>TC – Yes / No</p> <p>GTP – Yes / No</p> <p>IUTP – Yes / No</p> <p>NPTP – Yes / No</p> <p>STP – Yes / No</p> <p>ECVNAs & MVRNAs – Yes / No</p>	<p>All BSC parties should have the opportunity to be represented, as Performance Assurance issues impact on all who are signatories to the BSC and who's businesses are commercially affected by non-compliance within the CVA and SVA settlements mechanism.</p>

Q	Question	Response	Rationale
4.	Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required? Please give rationale.	Permanent seat / Invited as required	United Utilities believes that the BSC Auditor is an integral party of any Risk based mechanism, as their annual BSC Audit report for CVA and SVA systems should be the primary basis for provision of issues and Risk Evaluation. They should sit as a non-voting member of the REG.
5.	Do you agree that the RAB should be comprised of independent industry experts? Please give rationale.	Independent Experts / Participant representatives	United Utilities agrees that Independent Experts should form the RAB as this is in keeping with the way other BSC groups are structured and they would be best placed to provide best practice advice to the BSC Panel.
6.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	Yes, as modifications would be presented in a more timely manner and based on independent parties views of the Risks associated with such requirements.
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	No	The RAB should act as a governance group, that provides Risk Management Plans and Assurance Techniques to tackle the issues of non-compliance, but allows REG to propose timely modifications based on Risk Evaluation.
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	No	United Utilities is of the opinion that the PAB should continue its function but be re-named as the RAB, as the groups current form comprises of Independent Experts.
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			

Q	Question	Response	Rationale
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance written into the Code As high risk / CVA Assurance determined by the REG and RAB	United Utilities is of the opinion that Performance Assurance Techniques associated with the CVA market should continue at the same level of assurance as is currently applied, and not fall into a Risk based mechanism. This is due to any non-compliance within this market being seen as high risk. The CVA market is subject to rigorous assessment already, and the application of a fluid assurance framework would not be practical.
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16			
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	United Utilities believes that parties should only be allowed to query the Risk Management Plans as provided by the RAB if they have acted reasonably and are working proactively to clear any areas of non-compliance.
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	Yes	United Utilities believes this criteria provides a robust basis on which parties can question their Risk Management Plans with the RAB.
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	United Utilities believes that parties should have the right of appeal to the BSC Panel if criteria within 3.2.4 has been advised of.
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	United Utilities believes that party agents should appeal via an associated BSC Party, as this should be the best practice route to take up grievances.
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	United Utilities believes this criteria provides a robust basis on which parties can appeal their Risk Management Plans to the Panel.

Q	Question	Response	Rationale
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	United Utilities believes that party agents should appeal via an associated BSC Party, as this should be the best practice route to take up grievances.
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	United Utilities believes this criteria provides a robust basis on which parties can appeal their Risk Management Plans to the Authority.
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
18.	Are there any further comments on P207 that you wish to make?	Yes	United Utilities believes that all Performance Assurance non-compliance issues for both CVA and SVA markets always require addressing, even though there may be a Risk based mechanism in place.

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12 Noon on Friday 8 December 2006** to modification.consultations@exxon.co.uk and please entitle your email '**P207 Initial Assessment Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Katie Wilkinson on 020 7380 4376, email address Katie.Wilkinson@exxon.co.uk.

P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	Paul Mott
Company Name:	EDF Energy
No. of BSC Parties Represented	9
Parties Represented	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc; EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power); EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; EDF Energy Customers Plc; Seeboard Energy Limited
No. of Non BSC Parties Represented	0
Non Parties represented	N/A
Role of Respondent	Supplier/Generator/Trader/Distributor
Does this response contain confidential information?	No

Q	Question	Response	Rationale
Please refer to section 4.3 of the consultation document for the Modification Group's discussions relating to Questions 1 - 8			
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts	Having named experts should ensure consistency in operation and enables all pertinent information to be examined when determining what needs to be entered onto register. It also ensures that REG is seen to be fair as if it is by party representatives then it is unlikely that all parties will be able to provide people to attend and could then be considered as leaving those parties at a disadvantage.

Q	Question	Response	Rationale
2.	<p>If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.</p>	One Vote Per Party	<p>We do not support voting rights for REG based upon market share. The type of voting we support is one vote per party. The reason being is that it could be considered that smaller parties could be unfairly disadvantaged by others with larger market share. If voting was based upon contribution to market share then larger suppliers would be in a much stronger position to influence a decision even if there market share were capped. No party should be able to vote on any issues by which they are directly impacted.</p>
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – Yes</p> <p>LDSOS – Yes</p> <p>IAs –</p> <p>IEAs –</p> <p>TC –</p> <p>GTP –</p> <p>IUTP –</p> <p>NPTP –</p> <p>STP –</p> <p>ECVNAs & MVRNAs –</p>	<p>Otherwise, it could be seen as being prejudicial to certain BSC signatories. This would be likely to lead to a group that is too large to be effective and is a further reason why we do not support this being via party representation.</p> <p>Suppliers and LDSOs should be involved as they are directly impacted by SVA settlement data being incorrect.</p>

Q	Question	Response	Rationale
4.	Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required? Please give rationale.	Invited as required	It is possible that work carried out should reduce problems seen by BSC Auditor. With this in mind it is not clear that BSC Auditor would always have an interest in these proceedings. It, therefore, seems to be practical to issue and invite only as required. However, this might "need" to be a standing invite for every meeting and then BSC Auditor could determine if any issues are being raised on which they can provide evidence of issues to assist REG in making decisions. If it was felt that the contribution from the BSC Auditor was required on a regular basis he should be a permanent non – voting mandatory member of this Group
5.	Do you agree that the RAB should be comprised of independent industry experts? Please give rationale.	Independent Experts	We can find no real reason for this body not to be the current PAB but with an extended remit. A lot of this work is already covered by PAB and on that basis we feel it ensures that expertise built up by PAB is not lost.
6.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	No	We feel that all such decisions on this should be made by RAB based on findings from REG.
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	This ensures that any potential industry wide issues can be addressed quickly and efficiently. This would seem to improve administration of BSC and as such we would support such a right for RAB.
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	No	We feel that PAB should be renamed RAB and cover these additional responsibilities. We feel that much of the experience gained by PAB will greatly assist this work and as such would not wish to see this expertise lost. The membership of RAB may need to be extended to ensure it has the expertise to cover the full range of business.
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			

Q	Question	Response	Rationale
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance determined by the REG and RAB	It would seem appropriate to use same methods for both SVA and CVA for markets to be treated equitably. However, this is not an issue where our views are particularly strong.
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16			
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	An appeals process is required as it ensures process is deemed to be fair. It also enables parties to query the understanding that gave rise to such entries.
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	Yes	The RABs terms of reference will state that it should act impartially to ensure that Parties are treated fairly and so as not to discriminate against any Party. RAB could therefore have a role to play in the appeal process. RAB would need to be careful as they would have produced the individual Risk Management Plan for each Participant
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	If participants feel that have been unfairly treated by the RAB they should have the right of a further appeal to the Panel. A further appeal to an independent party would ensure a fair process as BSC Panel should be able to provide an arbitration role on all issues raised on risk registers with their knowledge of BSC.
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	This is required to ensure fairness of operation as although they are not BSC signatories they are constrained by rules arising from BSC. Party Agents are being offered appeal to RAB so they should have a process to appeal any decision to panel.

Q	Question	Response	Rationale
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	At this point we cannot see any further criteria that would be needed to give rise to a requirement to appeal any decisions to RAB.
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	This would be a third stage of appeal (RAB/Panel/Authority). We feel an appeal to the Authority would be in exceptional circumstances. When an appeal is made to BSC Panel the Authority could raise any concerns/views at that stage for the panel to consider in making any decision.
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	If the majority believe that this appeal is needed then these criteria seem to be sufficient.
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	

Q	Question	Response	Rationale
18.	<p>Are there any further comments on P207 that you wish to make?</p> <p>Costs :</p>	Yes	<p>If our view that PAB should be used as forum to deal with issues raised under this modification then we would prefer a more transparent reporting of activities under REG and RAB. We would not want these just to be put on the website as this is not providing parties with details they need to ensure that they can raise any queries or understand decisions made. If PAB is not used then this new route will also be required. As a party we want Elexon to ensure details are actively reported and not rely on people having time to check through the website.</p> <p>On monetary costs/benefits : we would comment that we cannot envisage any cost savings if this modification were implemented. Moreover, the added complexity of the changes may create costs, although we are unable to quantify or estimate these.</p> <p>In closing : we do believe that the existing PAB have the necessary skills for the work that they do and we do not believe that there is a case for change.</p>

P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Richard Harrison</i>
Company Name:	<i>Npower Limited</i>
No. of BSC Parties Represented	<i>10</i>
Parties Represented	<i>RWE Trading GmbH; RWE Npower Ltd; Npower Commercial Gas Ltd; Npower Cogen Trading Ltd; Npower Direct Ltd; Npower Ltd; Npower Northern Ltd; Npower Northern Supply Ltd; Npower Yorkshire Ltd; Npower Yorkshire Supply Ltd</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>None</i>
Non Parties represented	<i>N/A</i>
Role of Respondent	<i>Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 - 8			
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts	A body with similar accountability as the current PAB (i.e. to Trading Parties collectively) is preferable, since it avoids the issues created by Q2 while enabling the Panel to ensure that the group includes an appropriate range of expertise. The views of all relevant Parties would be taken into account through the consultation process.

Q	Question	Response	Rationale
2.	<p>If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.</p>	Other	<p>Parties could appoint or nominate members, but they would still need to be accountable to Trading Parties collectively, and this would still not ensure an appropriate range of expertise. One vote per Party, while ensuring that everybody had a say, would lead to an unwieldy membership and would not adequately reflect the extent to which individual parties might be impacted by particular issues or risks. Neither would votes based on market shares necessarily be reflective of the relative extent to which different parties would be impacted. The possible alternative of Constituency based representation would suffer from the problem that a representative might be constrained (and therefore ineffective) because of conflicting constituent views.</p> <p>It is also critical to know how the votes would be used to determine decisions. It would seem sensible in principle to include in the Risk Evaluation Register any issue/risk which at least a de minimis number of Parties (or company groups) was concerned about, and to avoid 'vetoes'. However, approval of the Register or the Methodology clearly requires a Yes/No answer, and the question then arises as to what percentage of Parties (or company groups) by number or market share would be required for this. What would happen if majority support could not be achieved?</p>

Q	Question	Response	Rationale
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – No</p> <p>LDSOs – No</p> <p>IAs – No</p> <p>IEAs – No</p> <p>TC – Yes</p> <p>GTP – Yes</p> <p>IUTP – No</p> <p>NPTP – No</p> <p>STP – Yes</p> <p>ECVNAs & MVRNAs – No</p>	<p>Risks will impact (from a BSC perspective) on Trading Parties. It is reasonable that those categories of Party likely to be affected by the risks should have representatives. Other categories of Parties would still be able to attend as observers, but should not have a role in making decisions that affect Parties.</p>
4.	<p>Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required?</p> <p>Please give rationale.</p>	<p>Invited as required</p>	<p>It is likely that the Auditor would be invited if there views were needed in relation to the impact on the BSC Audit. Otherwise, they would be free to attend non-confidential sessions (as anybody else) to gain visibility of the issues being discussed.</p>
5.	<p>Do you agree that the RAB should be comprised of independent industry experts?</p> <p>Please give rationale.</p>	<p>Independent Experts</p>	<p>A body with similar accountability as the current PAB (i.e. to Trading Parties collectively) is preferable, since it avoids the issues created by Q2 while enabling the Panel to ensure that the group includes an appropriate range of expertise.</p>

Q	Question	Response	Rationale
6.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	This would help to avoid the situation of a problem being recognised but no Party wanting to raise a Modification to do something about it, which might be seen as partisan.
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	This would help to avoid the situation of a problem being recognised but no Party wanting to raise a Modification to do something about it, which might be seen as partisan.
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	No	Appointment of a completely new body will be more complicated administratively. The Panel in any case has the right to review the membership of the PAB. Renaming would make it clear that the role has changed.
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance written into the Code As high risk / CVA Assurance determined by the REG and RAB	At this stage it would be appropriate to write CVA in explicitly as high risk, although it would always be possible to change this later by a Modification.
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16			
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	It is not reasonable to assume that the RAB or BSCCo will always be able to determine the most appropriate solution to the risk/issue without consultation of the participant involved. It is also easier to hold a participant to an action plan if they have suggested it themselves.

Q	Question	Response	Rationale
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	No	It is unclear how the participant would clarify the risk management plan with the RAB through discussion before the next meeting of the RAB. It seems reasonable for the participant to be required to state the reasons for a formal Query. The grounds in the 1 st paragraph seem reasonable, but are possibly not exhaustive.
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	It seems good practice to have a route of appeal to a separate body with suitable expertise without the need for recourse to judicial review, the time, effort and cost for which may be disproportionate.
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	It seems good practice to have a route of appeal to a separate body with suitable expertise without the need for recourse to judicial review, the time, effort and cost for which may be disproportionate. However, a potential problem is that, if a Party Agent has a legitimate complaint that its Risk Management Plan has an unreasonable impact on it, but an associated Supplier is not prepared to support this, then the Party Agent may be able to bring a legal action against the RAB (or Panel). Do we really want the situation where a Party Agent was unable (or refused) to comply with the RMP, and Removal of Qualification proceedings were initiated but overturned on appeal on grounds of unreasonableness? Also, it is not clear whether this would work satisfactorily if the Panel itself were to undertake the functions of the RAB.
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Qualified Yes	What is meant by the Party's BSC interests having precedence over their commercial interests (In the first of the 1 st group of bullets), and what is the supposed significance of this?
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	It seems good practice to have a route of appeal to a separate body with suitable expertise without the need for recourse to judicial review, the time, effort and cost for which may be disproportionate. See also comment under 13 above re appeal by Party Agents.

Q	Question	Response	Rationale
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes / No	The 'unfair prejudice' may also be relevant and within the Authority's jurisdiction as a competition authority. Inclusion of this would be consistent with the legitimate grounds for appeal under the MRA. However, it might be argued that this was within the scope of the other 3 criteria, if evidence had been presented on unfair prejudice at the first appeal stage.
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	It seems to be assumed that there is no consultation on the Operating Plan as a whole, and that participants can only challenge individually at the Risk Management Plan stage. This may be inefficient and may lead to anomalies if a technique is proposed that is particularly onerous on a class of participants, but is only challenged (and hence modified) for some of them. A consultation step would help to avoid this.
18.	Are there any further comments on P207 that you wish to make?	Yes	This Modification seems slightly premature, pending the conclusions of the Industry Codes Compliance Review.

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12 Noon on Friday 8 December 2006** to modification.consultations@elexon.co.uk and please entitle your email '**P207 Initial Assessment Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Katie Wilkinson on 020 7380 4376, email address Katie.Wilkinson@elexon.co.uk.

P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Rosie McGlynn</i>
Company Name:	<i>E.ON UK</i>
No. of BSC Parties Represented	<i>10</i> E.ON UK plc, Powergen Retail Limited, Citigen (London) Limited, Midlands Gas Limited, TXU Europe (AHGD) Limited, TXU Europe (AH Online) Limited, TXU Europe (AHST) Limited, Economy Power, Western Gas Limited, Enfield Energy Centre Limited
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	<i>0</i>
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>Supplier/Generator</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
	Please refer to section 4.3 of the consultation document for the Modification Group's discussions relating to Questions 1 - 8		

Q	Question	Response	Rationale
1.	<p>Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.</p>	<p>Party representatives</p>	<p>The nature of the REG and the RAB necessitate current industry knowledge and expertise. The modification group initially agreed that the REG should be constituted on a representative basis as there was felt to be considerable benefit in moving away from the “Independent” approach.</p> <p>Participant representatives can bring commercial knowledge and effective risk management techniques drawn from their experience of working for commercial organisations whose responsibilities are directly linked to reducing cost and increasing value for shareholders. This knowledge will prevent the REG being a vehicle for increasing cost and complexity and will assist with the REG being able to deliver a more focused approach to performance assurance. “Independence” on this kind of group will lead to a non optimum, lowest common denominator approach as the parties on the group will not act in a manner which will deliver value.</p> <p>There are concerns that are being raised around how this will work and moreover how this would be effectively managed on a party by party basis. There are also potentially implications for non parties that should be clearly addressed through the governance regime.</p> <p>It was extremely disappointing that the modification group went from being a majority in favour of representation to a minority in the space of one meeting. This aspect of P207 is crucial the performance assurance regime being improved and without it, there is no clear justification that the modification is an improvement on the current baseline.</p>

Q	Question	Response	Rationale
2.	<p>If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.</p>	Market shares	<p>The voting for both the initial population of the Risk Evaluation Register and subsequent additions/modifications should be based on a weighted average directly attributable to market share. Thresholds can be included within the structure of the governance for this group to ensure that BSC Parties are adequately represented.</p> <p>Other governance fora have similar principles embedded within them and deliver effective contractual change control. The key issue is the management of these arrangements and their transparency of their activities to the industry.</p>
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee? <ul style="list-style-type: none"> • All BSC Signatories (BSC) If , no, which of the following should be represented: <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs Please give rationale.</p>	<p>All BSC – No</p> <p>LDSOS – Yes</p> <p>IAs – No</p> <p>IEAs – No</p> <p>TC – No</p> <p>GTP – Yes</p> <p>IUTP – No</p> <p>NPTP – No</p> <p>STP – Yes</p> <p>ECVNAs & MVRNAs No</p>	<p>The REG will be carrying out activities which may have an eventual impact on STP's, LDSO's and GTP's. The impact on GTP's will be minimal/non existent as CVA Assurance will be hard coded as high risk with an associated full compliance approach.</p> <p>One mechanism which would help to keep the numbers of attendees down (as concern has been expressed as to how the REG would function on a representative basis) would be to have some Trade Body Representatives who represents the views of their members as permanent group members. This role could be a shared role (i.e. it would not have to be the same person at each meeting) and the terms of reference for the REG can be amended to reflect their specific responsibilities.</p>

Q	Question	Response	Rationale
4.	<p>Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required? Please give rationale.</p>	Invited as required	<p>The modification group has not discussed in detail the frequency of the REG meetings other than agreeing they would meet at least once a year. Having the auditor as a permanent member (a concept which again has not been discussed in detail within the modification group) could be costly.</p> <p>The arguments for having the auditor present are linked to understanding the outcome of the BSC Audit and how the auditor has assessed risk. Elexon and BSC Parties are experienced in the audit process and may be able to deliver this function for some of the issues. The scope and complexity of the audit process does mean that the expert input could prove invaluable especially when implementing a risk based approach.</p> <p>It may be that the REG recommend that the Audit scope is revised and as this has a cost implication for the Auditor a conflict of interest could arise if the Auditor was a permanent member of the group.</p>

Q	Question	Response	Rationale
5.	Do you agree that the RAB should be comprised of independent industry experts? Please give rationale.	Participant representatives	<p>As stated earlier in this response, current expertise is required to deliver functions relating to assurance. It is important to remember that the RAB will be acting in accordance with Panel agreed terms of reference which can require that confidentiality is maintained. There needs to be a fundamental change to the way that this assurance function is delivered, less commercially sensitive information should be required to provide confidence in how a party is going to modify their systems and processes to improve their performance. The RAB need to be a pragmatic, focused group which acts in a co operative manner with parties while delivering effective assurance.</p> <p>The RAB need to be understood to be a body tasked with delivering effective assurance techniques – to do this the people on the RAB need to understand how commercial organisations are managed. One of the criticisms of the way that PAB currently manage their business is that the approach they require parties to take can act to distract attention from business drivers such as improving processes which directly affect customers. The RAB will need to deliver effective assurance – that means working with participants not against them.</p> <p>The RAB methodology of assessment of risk needs to be a published document to ensure that this process is as transparent as possible. Each individual RMP needs to include detailed information as to how each risk rating is calculated and the information that has been used to calculate it. Participants need the opportunity to assess how the RAB have carried out their assessment and the ability to challenge where appropriate.</p>
6.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	The REG will be tasked with reviewing the outputs of the RAB's programme of work – part of this activity will relate to deciding which techniques are working effectively and identifying amendments to those techniques failing to deliver assurance.

Q	Question	Response	Rationale
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	No	No the REG are the strategic group who should carry out this function.
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	Yes	There should be a new body set up and the members of it should go through an election process. The PAB should be dissolved as the approach of the RAB should be significantly different to the current approach of the PAB.
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance written into the Code As high risk	The PAF Review did not include CVA within its remit, no evidence has been provided that the current assurance regime is deficient with regard to CVA and no compelling arguments have been made to define CVA as anything other than high risk.
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16			
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	The Risk Management Plans should have been developed on a co operative basis between parties and their OSM's (as a devolved responsibility from the RAB). There could be some areas where the OSM's and parties have different views on the most appropriate approach which may lead to a discussion at the RAB.

Q	Question	Response	Rationale
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	Yes	The criteria reflect the mod group's discussion on this issue.
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	It is unlikely that this will ever happen as the RAB should be working on a co operative basis with participants. However, in order to ensure rigour is embedded within the process, an appeals mechanism is appropriate to act as a safeguard.
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	Party Agents and their associated supplier should have been made aware of any shared issues by the REG process. This should mean that these shared issues are receiving attention, which could negate the need for specific assurance techniques. There may be disagreement between the RAB and the associated supplier and agent on the most appropriate techniques and as the supplier hub requires the supplier to take responsibility – the supplier should be the one to appeal.
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	The criteria reflect the mod group's discussion on this issue, this criteria should also ensure that the RAB are carrying out their duties appropriately.
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	Performance assurance techniques can have significant cost implications on organisations and it is essential that Parties are not unfairly prejudiced by the activities of the RAB.
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	For an appeal to reach this stage there will have been severe failings by the RAB and there needs to be a mechanism to resolve these failings.

Q	Question	Response	Rationale
17.	<p>Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale</p>	No	
18.	<p>Are there any further comments on P207 that you wish to make?</p>	Yes	<p>Without moving to a representative approach there is no benefit to P207 being implemented and it would not be an improvement on the status quo.</p> <p>“Independence” and risk evaluation do not work well together as it is likely that the “Independent Experts” will not have current experience of the industry and will therefore be unable to adequately assess the risks as effectively as participants who can speak openly about the issues their organisations face. It is likely that this approach will lead to the Risk Evaluation Register being identical to the BSC audit issues lists which will deliver no additional value to the current process.</p> <p>If the Risk Evaluation Group are representative they will be able to work proactively to resolve current issues with assurance i.e. the lack of a link between issues and multiple suppliers and agents. If multiple parties are affected by the same issue this can be highlighted by the REG and a common approach agreed. This will help the RAB to ensure appropriate assurance techniques are utilised across all affected parties. The RMP’s agreed with parties will then provide additional assurance that all parties are being treated fairly.</p> <p>We would also like to amend the SVA objective to be updated to:</p> <p>Energy is allocated efficiently and equitably between Suppliers, to an acceptable level of accuracy, that is derived from the aggregated consumption of Metering Systems for which each Supplier is responsible and that the amount of GSP group correction is minimised.</p>

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12 Noon on Friday 8 December 2006** to modification.consultations@elexon.co.uk and please entitle your email '**P207 Initial Assessment Procedure Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

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P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Martin Mate</i>
Company Name:	<i>British Energy</i>
No. of BSC Parties Represented	<i>5</i>
Parties Represented	<i>British Energy Direct Ltd, British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, British Energy Generation (UK) Ltd</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>-</i>
Non Parties represented	<i>-</i>
Role of Respondent	<i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
	Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 – 8		

Q	Question	Response	Rationale
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts	British Energy firmly believe that REG should be comprised of independent industry experts. This is consistent with existing Panel Committees under the Code. Party representation would be more susceptible to vested interests influencing decisions, and to parties with large resources influencing decisions without regard to other parties. It would be difficult to develop constituency representation with sufficient flexibility to allow individual views to be represented, and it would be inefficient for all parties to be individually represented. REG may require confidential information regarding parties to perform its duties; a representative REG might have to receive information in an anonymous format and this might impinge on the REGs ability to carry out its role successfully. For the industry to retain confidence in the REGs decisions, the industry must be able to see that REG is operating impartially and without any scope for bias. It is not felt that a representative REG would fulfil this.
2.	If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.	Other	British Energy firmly believe that REG should be comprised of independent industry experts. However, if a representative voting system were to be introduced, we believe that one based on market share would potentially disadvantage smaller participants. A one party one vote mechanism would be difficult to administer. It could also disenfranchise many smaller parties, as could a constituency based model.

Q	Question	Response	Rationale
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – Yes / No</p> <p>LDSOS – Yes / No</p> <p>IAs – Yes / No</p> <p>IEAs – Yes / No</p> <p>TC – Yes / No</p> <p>GTP – Yes / No</p> <p>IUTP – Yes / No</p> <p>NPTP – Yes / No</p> <p>STP – Yes / No</p> <p>ECVNAs & MVRNAs – Yes / No</p>	<p>British Energy firmly believe that REG should be comprised of independent industry experts. Creation of a representative committee would be a significant change to BSC governance arrangements, which should be the subject of a separate consultation or modification.</p>
4.	<p>Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required?</p> <p>Please give rationale.</p>	<p>Invited as required</p>	<p>It is appropriate that the BSC Auditor should be invited to attend the REG as and when the REG determine their assistance is required. Mandated attendance could create unnecessary costs.</p>

Q	Question	Response	Rationale
5.	Do you agree that the RAB should be comprised of independent industry experts? Please give rationale.	Independent Experts	The RAB should be comprised of independent industry experts. This is consistent with existing Panel Committees under the Code. Party representation would be more susceptible to vested interests influencing decisions, and to parties with large resources influencing decisions without regard to other parties. It would be difficult to develop constituency representation with sufficient flexibility to allow individual views to be represented, and it would be inefficient for all parties to be individually represented. As per the response to question 1, confidentiality issues could arise in the formation of Risk Management Plans and it is even more likely that RAB would need to be privy to confidential information.
6.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes/No	Both the REG and the RAB should have the right to independently recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance. Allowing only the REG the right to recommend to the Panel that a Modification should be raised could give rise to potential areas of conflict between the REG and the RAB. For instance, the RAB could recommend a Modification but the REG may disagree with it and not progress it any further. It is felt that this potential disagreement could be exaggerated if REG were representative and therefore individual commercial interests were affecting its decisions.
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	See response to question 6.
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	No	BE would prefer the PAB to continue as the PAB and not be renamed to RAB. See response to question 17 for further detail.

Q	Question	Response	Rationale
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determined by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance written into the Code As high risk	CVA assurance should be written into the Code as high risk and requiring the same level of assurance as is currently applied. This is the best way to maintain existing CVA arrangements, which set a high level of assurance at minimal relative cost, and to avoid inefficient disruption. Good quality CVA data and problem-free processes are vital to the BSC arrangements.
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 – 16			
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes/No	Both REG and RAB decisions should be open to appeal by Parties prior to the implementation of a Risk Management Plan. For any appeal by Party Agents, the REG/RAB should be required to take into account the interaction of Party Agent Risk Management Plans with those of the Parties employing them, to avoid the possibility of relaxation of one plan acting against the achievement of another plan. A requirement for agreement by all Suppliers with which a Party Agent is associated would lessen this risk. We also believe there should be the facility to appeal to a higher body (eg. the Panel) and not to the committee which made the initial decision. This would ensure a second opinion and an independent view. On the whole we feel the proposed process is ambiguous and does not go far enough. It does not allow the priorities and respective risks that have been assigned to be challenged.
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	No	See response to question 10.

Q	Question	Response	Rationale
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	See response to question 10.
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	No	On balance, we do not support this suggestion. In principle, and in accordance with the supplier hub principle, a Party Agent should be able to appeal its Plan via an associated Supplier. If an appeal has a firm basis and is upheld, it should release Agent resources to concentrate on performance improvements in relation to other Suppliers. However, there is a risk that upheld appeals by Agents in association with one supplier could conflict or act against the Risk Management Plan of another associated supplier. There is also a concern with Agents effectively having different priorities or performance for different Suppliers, which creates the possibility for cross-subsidy. Some protection against these possibilities would be provided if all Suppliers associated with a Party Agent were required to support the appeal. However, without assurances about how such appeals would be considered, we do not support the suggestion that Party Agents should have the right to appeal their Risk Management Plans via an associated Supplier.
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	No	There should also be a route of appeal for REG decisions.
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	No	Arbitration, possibly?
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	No	

Q	Question	Response	Rationale
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	British Energy believe PAB should continue broadly in its current form and the way it works should be modified to take on the additional roles identified for the RAB and for the REG. The existing code should be interpreted to allow the PAB more flexibility and the ability to effectively prioritise occurrences of non compliance (as we believe was originally intended in the current code documents). Such a modification would meet the aims of the proposal more efficiently, without completely replacing the existing arrangements with more cumbersome and bureaucratic arrangements.
18.	Are there any further comments on P207 that you wish to make?	Yes	BE feel that this proposal to introduce new governance arrangements merely adds more levels of bureaucracy. It does not address current underlying issues and we have concerns as to exactly how effective it might be. It could be a costly exercise to create a function that already appears to exist within the Code.

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P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	Mark Bellman
Company Name:	Scottish Power Plc
No. of BSC Parties Represented	7
Parties Represented	Scottish Power UK plc , ScottishPower Energy Management Ltd , ScottishPower Generation Ltd , ScottishPower Energy Retail Ltd , SP Transmission Ltd , SP Manweb plc , SP Distribution Ltd
No. of Non BSC Parties Represented (e.g. Agents)	2
Non Parties represented	SP Dataserve UK Ltd
Role of Respondent	<i>(Supplier/Generator/ Trader / Party Agent / Distributors)</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
	Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 - 8		

Q	Question	Response	Rationale
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts	<p>The role of the REG requires an independent view of risk as well as access to information that would otherwise be confidential amongst parties. For these reasons a representative group would not be appropriate. In addition representation could mean decisions on relative risks being drawn out or watered down by partisan debate. In addition the industry requires a distinct expertise such as (but not limited to) e.g. BSC, operational, quantitative and process risk analysis, performance and controls management. For this reason there must be a robust appointment process.</p> <p>In order that the group is effective, members should have experience and knowledge of the risks presented by settlement accuracy and issues in the market. To this end ScottishPower advocates a rolling 3-yearly review of membership to ensure that committee members experience and knowledge reflect the market at that time, whilst a degree of maintaining a degree of continuity. They should be working, or have worked in the last 5 years, within the industry to achieve this. The general principle of reviewing membership for these reasons should also be extended to other Panel committees.</p>

Q	Question	Response	Rationale
2.	<p>If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.</p>	<p><u>One Vote Per Party Type Within A Group</u> Note - this is NOT our preferred option.</p>	<p>Option 1: <u>One vote per party</u> This is unfair as it gives some companies who are responsible for a number of Supply ID's (via incidental takeover and mergers) more say than others. An entity could increase their voting power by just creating a new Supply ID.</p> <p>Option 2: <u>Market Share</u> Would this need to be done for every party type? How would we compare the market share for a Supplier and the market share for a NHHDA? In either case it means Small parties have little or no say and could be perceived as a carve-up by larger parties.</p> <p>Proposed Option 3: <u>One vote per party within a group</u> As the least-worst option a representative REG should vote based on One vote per party type within a group. For example instead of SP Supply having two votes under option 1 (SPOW and MANW) we would have one as a Supplier. We would also have one as a MOP although we operate 2 MOP MSID's. This is fairer than the other methods but again is vastly inferior to an independent REG.</p>

Q	Question	Response	Rationale
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – No</p> <p>LDSOS – Yes</p> <p>IAs – No</p> <p>IEAs –No</p> <p>TC –No</p> <p>GTP –No</p> <p>IUTP – No</p> <p>NPTP – No</p> <p>STP – Yes</p> <p>ECVNAs & MVRNAs – No</p>	<p>The impact of risk within the SVA element of Settlements primarily sits with LDSOs and Suppliers.</p>
4.	<p>Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required?</p> <p>Please give rationale.</p>	<p>Invited as required</p>	<p>The BSC Auditor should have no right to attend and should not attend if not required. However if they are requested by the REG to prepare material for discussion and/or to attend then they should be obliged to so do under their contract..</p>

Q	Question	Response	Rationale
5.	Do you agree that the RAB should be comprised of independent industry experts? Please give rationale.	Independent Experts	To ensure a bipartisan approach to managing risk and to ensure that suitably qualified personnel are appointed this Panel Committee must be independent. Note however that the industry experts should be different people to those on the REG. The skill-set is different reflecting the different objectives of REG and RAB. In addition, and more importantly, the RAB must be seen to be independent of the REG to avoid conflict of interest – a member of the RAB, involved in assessing whether a Party has met the required performance level should not also be involved in identifying the risks to be managed.
6.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	But only if the REG consists of industry experts. If the REG were representative then the ability to raise a Modification is not required as BSC Parties are already empowered in this way.
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	No	. There is an analogy with the democratic institutions of executive (RAB), judiciary (REG) and legislature (the Authority). The executive have no right to create new laws but has an important voice in calling for better governance.
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	Yes	PAB should be disbanded and membership of the newly formed RAB should be effected in accordance with the proposed mechanism. The remaining duties of PAB should be undertaken by RAB – this is as important for a fresh start as it is for reasons of effectiveness. Rather than persisting with PAB and RAB, it is much more efficient to have a single group responsible for managing risk and it is right to have it managed under the new regime where a greater priority is given to risk rather than just compliance.
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			

Q	Question	Response	Rationale
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance determined by the REG and managed by the RAB	A compliance-based approach as the only method of assurance of CVA is to limit the flexibility of SVA risk assurance. .
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 – 16			
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	A Party or Party Agent must have the right to discuss their plans with the RAB. These should not be imposed.
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	Yes	However the reasons for appeal or query should be the same for RAB, Panel and Authority. As such the full list of reasons under 3.2.4 (Appeal to the Panel) should apply to all stages.
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	It is only sensible and correct that a Party has the right to appeal their plans with the RAB after initial discussion. However there should be a right to appeal any RAB decision (using the criteria from 3.2.4) and not just those relating to Risk Management Plans.
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	In accordance with the Supplier Hub Principle any approach to the Panel should be made via a BSC Party. It is imperative that the associated Supplier is affected by the issue and not appealing for corporate reasons.
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	As per Q11 and 12. This is the correct set of criteria and should be the basis of any appeal or query be it to the RAB, Panel or Authority.

Q	Question	Response	Rationale
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	It is difficult to envisage such a contentious risk management plan that would see an appeal go to the Panel never mind the Authority. However the right should remain even if unlikely to be used as the right in itself acts as an incentive to the RAB, Panel and Parties to act reasonably.
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	As per Q11, 12 and 14, the full list of reasons under 3.2.4 (Appeal to the Panel) should apply to all stages, including to the Authority.
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
18.	Are there any further comments on P207 that you wish to make?	Yes	In keeping with proposals on the constitution of RAB and REG above, ScottishPower recommends that the Panel undertake a periodic review of the population of their committees including a requirement for a proportion of Panel members to have worked in the industry and a proportion to be from outside the industry.

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P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Name</i>
Company Name:	<i>Craig Tate</i>
No. of BSC Parties Represented	<i>1</i>
Parties Represented	<i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>0</i>
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>Supplier</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
1.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	All Parties to the BSC should have the right to query their Risk Management Plan. A period of time should be allocated, if only for clarificatory purposes, in order that all assumptions are tested and obligations fully understood. It is inevitable, as the process beds down that Parties may still wish to query the content of their risk management plan despite a period of open dialogue.
2.	Do you agree with the criteria (set out in the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	Yes	We believe that the proposed timescales are sufficient. We would note that the timescales for the RAB response should be clarified
3.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	But only when all avenues have been explored to resolve the matter between RAB and the associated party. For clarification, if additional information is raised with regard to the parties argument after the RAB meeting, would this then be resubmitted to RAB for further discussion?

Q	Question	Response	Rationale
4.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier? Please give rationale.	Yes	Where the Party Agent has been able to convince one of their own BSC Party Suppliers to fully support an appeal it should be in the interest of both the Supplier and their Agent to have the issue resolved
5.	Do you agree with the criteria (set out in the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	All points are covered for grounds to appeal.
6.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	We believe that where all avenues to resolution have been fully explored then, in the most extreme case, a Party should be able to take the issue to the Authority. However although we understand how difficult it is for the Authority to provide feedback regarding timescales associated with their decision making process even the Appeals process that applies to the industry codes has been able to be defined as taking a maximum of 12 weeks. It would therefore be appreciated if Ofgem could provide guidance regarding the length of time an appeal would take to be processed once submitted to them. This is essential, as a potential risk to Settlement remains unresolved. The fact that they are not unsighted on this having been fully engaged in the process from the start given their membership/attendance at both REG and RAB.

Q	Question	Response	Rationale
7.	Do you agree with the criteria (set out in the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	We believe that the timescales are sufficient to appeal to the authority and that the criteria cover all points on which an issue can be escalated.
8.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance written into the Code As high risk	We would support a move to hardwire these into the Code to be dealt directly with by RAB.
9.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts	This follows the protocol adopted for other BSC Panel Committees.
10.	If the REG was comprised of Party representatives, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.	One Vote Per Party / market shares / other	Gaz de France ESS does not support a move towards establishing any representational role for REG but if adopted would prefer the 1 vote per party approach. If a move towards representation were adopted then we would expect to see clearly defined benefits from such an approach to be defined and rules regarding conflict of interest addressed

Q	Question	Response	Rationale
11.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – Yes</p> <p>LDSOS – Yes / No</p> <p>IAs – Yes / No</p> <p>IEAs – Yes / No</p> <p>TC – Yes / No</p> <p>GTP – Yes / No</p> <p>IUTP – Yes / No</p> <p>NPTP – Yes / No</p> <p>STP – Yes / No</p> <p>ECVNAs & MVRNAs – Yes / No</p>	<p>Gaz de France ESS does not agree that REG should be representative but if it was then would agree that all parties should be able to be represented in some form at the committee. In order that membership numbers were reduced to a manageable level perhaps the approach adopted with the Electricity Pool days should be explored. As an example on the Pool Executive Committee a Group Representing Other Generators (GROG) was established to ensure that the opinions of all forms of generation was represented. Consideration would be required to provide assurance that similar provisions could be made under a representative REG to ensure the views of independent suppliers or generators, for example, could be adequately expressed.</p>
12.	<p>Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when required?</p> <p>Please give rationale.</p>	<p>Invited as required</p>	<p>We believe that the BSC Auditor should only attend when requested to do so by the REG, but should always attend to present current audit issues following the year's audit.</p>
13.	<p>Do you agree that the RAB should be comprised of independent industry experts?</p> <p>Please give rationale.</p>	<p>Independent Experts</p>	<p>Yes this approach aligns with current BSC practise</p>

Q	Question	Response	Rationale
14.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	REG will be dealing with the Risk Evaluation Register and will be best positioned to understand when the model requires revision.. Based on the information available to REG they would be able to propose a Modification be raised to correct the discrepancy.
15.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	No	I believe that if RAB notice that a Modification needs to be raised then the issue should be raised to REG for consideration and further action if required. This additional step should introduce a degree of robustness to the modification process that would require REG to make a full and complete case to the RAB in support of such a request.
16.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	Yes	We would support a review of the position of PAB once the proposed new arrangements have been in place and seen to be working appropriately.
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	Not at this stage in the development of the modification
18.	Are there any further comments on P207 that you wish to make?	No	Not at this stage in the development of the modification

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **12 Noon on Friday 8 December 2006** to modification.consultations@elexon.co.uk and please entitle your email '**P207 Initial Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group. Any queries on the content of the consultation pro-forma should be addressed to Katie Wilkinson on 020 7380 4376, email address Katie.Wilkinson@elexon.co.uk.

P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Alison Hughes</i>
Company Name:	<i>BizzEnergy</i>
No. of BSC Parties Represented	<i>1</i>
Parties Represented	<i>BizzEnergy</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>0</i>
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>Supplier</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 - 8			
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Independent Experts	This emphasises the point that the REG should be considering issues and reaching decisions in terms of what is best for Assurance in the market rather than an individual party. This is an important point. In practice whether Independent Experts or Party Representatives it may be a similar set of people as Industry Experts are quite often employed by a particular party or group of parties. Relevant links should be made clear on a published membership list.

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
2.	<p>If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.</p>	One Vote Per Party	<p>Market share of independent suppliers/new entrants is so very small compared with other suppliers.</p> <p>Minority market players may be more sensitive to certain aspects of SVA assurance, with market share representation the scope for change may be very limited.</p>
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC –Yes</p> <p>LDSOS – Yes / No</p> <p>IAs – Yes / No</p> <p>IEAs – Yes / No</p> <p>TC – Yes / No</p> <p>GTP – Yes / No</p> <p>IUTP – Yes / No</p> <p>NPTP – Yes / No</p> <p>STP – Yes / No</p> <p>ECVNAs & MVRNAs – Yes / No</p>	<p>Assurance is relevant to all types of BSC Parties. However, it is likely that some of the more significant issues (e.g. non-half hourly data quality) may not be as relevant to some parties.</p> <p>Care needs to be taken that parties only participate in issues which are relevant to them, this may also limit the size of the meetings to a more manageable level.</p>

Q	Question	Response ^{Error!} Bookmark not defined.	Rationale
4.	Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required? Please give rationale.	Permanent seat	Could provide a valid contribution
5.	Do you agree that the RAB should be comprised of independent industry experts? Please give rationale.	Independent Experts	Same as for REG. However additionally RAB meetings are closed sessions discussing confidential information.
6.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	Yes	
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	No	Could be a conflict and it would seems more appropriate for potential mods to be discussed by the REG
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	Yes	Risk Assurance Board is an appropriate name and there is no requirement for both RAB and PAB. As this is change in the assurance regime, then it is far more appropriate to disband the current PAB and appoint members to the new RAB.
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance written into the Code As high risk / CVA Assurance determined by the REG and RAB	Would seem sensible to provide CVA and SVA assurance on a consistent basis.
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 - 16			
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	Participants can currently attend the PAB to discuss their performance. It can't be assumed that all queries are invalid and this process could in addition avoid an appeals process.
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	No	Can't think of an instance where the PAB has refused a participants request to discuss their performance. Or similarly why the RAB would wish to refuse a participants' request to discuss or query their Risk Management Plans. Is a criteria necessary at this stage? Particularly as this is a new process.
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	But if the actions of one participant are affecting others this should not be a protracted process
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	Consistent with above

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	But have reservations regarding open-ended timescales, particularly as the Risk Management Plan would have been developed by the RAB in response to an identified risk.
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
18.	Are there any further comments on P207 that you wish to make?	Yes	This does at first glance seem more complicated than current regime, but trust that with familiarity this process will prove to be efficient.

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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Any queries on the content of the consultation pro-forma should be addressed to Katie Wilkinson on 020 7380 4376, email address Katie.Wilkinson@elexon.co.uk.

P207 INITIAL ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties (“Parties”) and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	Andrew Latham
Company Name:	Centrica
No. of BSC Parties Represented	
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	
Role of Respondent	Supplier
Does this response contain confidential information?	


Q	Question	Response	Rationale
Please refer to section 4.3 of the consultation document for the Modification Group’s discussions relating to Questions 1 - 8			
1.	Do you believe that the REG should be comprised of independent industry experts or Party representatives? Please give rationale.	Party representatives	Party Representatives is the only way forward when the vast majority of all BSC Committee members belong to an Energy company. The Independent route is draconian in its inception and has not moved with the fast changing place of the energy market where open and frank conversations could be discussed by parties at industry meetings. However Centrica do see the value of consultants able to represent smaller parties to allow a full voice to be heard.
2.	If the REG was comprised of Party representatives, for making decisions on the Risk Evaluation Register, do you believe that there should be one vote per Party or do you believe votes should be based on market shares (or other voting mechanism (please describe))? Please give rationale.	Other	Constituency based would seem appropriate. Voting should be based on a similar MRA style i.e. votes are cast when there are consequences to the voting Party/constituency. MRA voting is by numbers, MRA Forum is by market share. The difficulty is making this work now that CVA is in scope.

Q	Question	Response	Rationale
3.	<p>If the REG was comprised of Party representatives, which of the following types of BSC Signatories do you believe should be represented on the committee?</p> <ul style="list-style-type: none"> • All BSC Signatories (BSC) <p>If , no, which of the following should be represented:</p> <ul style="list-style-type: none"> • Licenced Distribution System Operators (LDSOs) • Interconnector Administrators (IAs) • Interconnector Error Administrators (IEAs) • Transmission Company (TC) • Generator Trading Parties (GTP) • Interconnector User Trading Parties (IUTP) • Non-Physical Trading Parties (NPTP) • Supplier Trading Parties (STP) • ECVNAs & MVRNAs <p>Please give rationale.</p>	<p>All BSC – Yes</p> <p>LDSOS – Yes</p> <p>IAs – Yes</p> <p>NIEAs – Yes</p> <p>TC – Yes</p> <p>GTP – Yes</p> <p>IUTP – Yes</p> <p>NPTP – Yes</p> <p>STP – Yes</p> <p>ECVNAs & MVRNAs – Yes</p>	<p>All Parties whom the REG is making decisions about should have a seat/vote/constituency to ensure an inclusive approach is adopted. The constitution of the REG is now intrinsically harder as CVA has been included. It is important that we allow Parties to represent their view this may be as in number 1 by allowing a group to be represented by a single body or represent themselves.</p>

Q	Question	Response	Rationale
4.	Do you believe that the BSC Auditor should sit as a non-voting member of the REG or should be invited to attend the REG as and when the REG determine their assistance is required? Please give rationale.	Invited as required	Centrica see no value in having the BSC Auditor present at every meeting. I see the need for the Auditor as and when required rather than mandatory inclusion at meetings. As Agendas are produced 10 days in advance should something be tabled where the auditor is deemed of value to the discussion an invite could be made. However if the BSC Auditor wishes to attend as an observer this would be acceptable.
5.	Do you agree that the RAB should be comprised of independent industry experts? Please give rationale.	Participant representatives	As in number 1 Party representation although these will by their very nature be experts in their field.
6.	Do you believe that the REG should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	No	No. If a Party deems there is value in a Modification or a Change Proposal then they will raise it. It should not need to be the role of the Panel committee to raise a modification or Change Proposal. However group discussion could at the end make recommendations and should a Party wish to raise after consideration this could take place
7.	Do you believe that the RAB should have the right to recommend to the Panel that a Modification should be raised in an area relating to Performance Assurance? Please give rationale.	No	As above.
8.	Do you agree that the responsibility for Risk Assurance should be operated by a new body called the Risk Assurance Board, as opposed to the Performance Assurance Board (PAB) in its current form or re-named as the RAB? Please give rationale and if no, please indicated whether the PAB should continue with this function as the PAB, or re-named as the RAB.	Yes	Yes. Membership should be considered and the new RAB should be newly created board members. (It is important that existing members of PAB understand that they have carried out a valued job and it is only the changes to PAF that would enable a new group to be formed) This should also be subject to Industry voting with a number of Suppliers, Transmission Company, Energy-watch and Ofgem. The voting system could be utilised from similarly formed P206 to obtain transparency. Centrica would also like to see 'term of office' perhaps 2 years with an option to renew for a year. Again on leaving there company this representation would therefore end immediately.

Q	Question	Response	Rationale
Please refer to section 4.2 of the consultation document for the Modification Group's discussions relating to Question 9			
9.	Do you believe that Performance Assurance of the CVA market should be written into the Code as high risk and therefore requiring the same level of assurance as is currently applied, or do you believe that the risks associated with CVA Assurance should be determine by the REG and the assurance techniques applied determined by the RAB? Please give rationale.	CVA Assurance written into the Code As high risk / CVA Assurance determined by the REG and RAB	Agreed that CVA should be written into the code that it is compliance based process i.e. 100% however it would not appear necessary to use High Risk if it is compliance based?
Please refer to section 3 of the consultation document for the proposed risk evaluation and risk assessment process and 4.1 of the consultation document for the Modification Group's discussions relating to Questions 10 – 16			
10.	Do you believe that all participants (Parties and Party Agents) should have the right to query their Risk Management Plans with the RAB? Please give rationale.	Yes	It is essential that a Party or Parties can query their Risk Management Plan to enable a more rounded and ultimately detailed evaluation of what the plans should be. It is essential that all areas are captured to deliver a workable solution with expectation of resolving the plan in a swift and efficient manner.
11.	Do you agree with the criteria (set out in section 3.2.3 of the consultation document) under which Risk Management Plans can be queried with the RAB? Please give rationale.	Yes	Centrica believes that there may be more elements that are appealable and we need to further explore internally as to all the scenarios listed in 3.2.3.
12.	Do you believe Parties should have the right to appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	Yes. Centrica also believes that rather than just a document to state the grounds of appeal that the Party is allowed to present evidence to the Panel. One question that has been raised is that whilst a Party is appealing what would happen to the application of Supplier Charges?
13.	Do you believe Party Agents should have the right to appeal their Risk Management Plans to the Panel via an associated Supplier (i.e. one who shares the 'risk' and associated Performance Assurance technique)? Please give rationale.	Yes	Yes. However Centrica would like to further explore what would happen where there are multiple associated Suppliers where a Party agent was failing and how Suppliers would represent each other and associated action plans.

Q	Question	Response	Rationale
14.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Panel? Please give rationale.	Yes	Yes the list should be the same as those to appeal to the RAB
15.	Do you believe Parties, and Party Agents via an associated Supplier, should have the right to appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	Yes. It is extremely important that only after all other routes have been explored that Party or Agent appeal to the Authority. The Plans need to be carried out objectively and accurately of each party to allow to ensure consistency. Again similar to 13 what happens when there are multiple associated Suppliers who would represent each other and associated action plans?
16.	Do you agree with the criteria (set out in section 3.2.4 of the consultation document) under which Parties can appeal their Risk Management Plans to the Authority? Please give rationale.	Yes	Yes. The Plans should be identical to what REG, RAB and the Panel have seen and ensure that there are clear steps taken to resolve the issue.
17.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	No. However Centrica would like to pursue and discuss the potential for no Central Admin as in question 18.

Q	Question	Response	Rationale
18.	Are there any further comments on P207 that you wish to make?	Yes	<p>Yes</p> <p>Centrica would like to further explore how is it proposed that performance be managed, at a Party ID level or Supplier ID level?</p> <p>Centrica have attached our last response to the PAF consultation which details our preferred agreed business outcome against the “Reduced PAF No Central Admin” option which does not seem to be a feature of the report. This would then show reduced costs but this has not been discussed at VASMG?</p>  <p>PAF_Review_Consultation2.doc</p> <p>3.4 “speak at the invitation of the chairperson” – this is an antiquated approach when someone is discussing your Party!</p> <p>3.4 We would like to consider that the MRA representative as a member similar to that ELEXON have a voting right under the MRA model.</p> <p>Centrica are unclear that the second SVA objective is a sub-set of the first objective as you can’t fulfil the first without the second being achieved. The rationale for this view was that the PAF objective for equitability should be based on aggregate performance and not detailed MPAN specific assurance.</p> <p>When will the central implementation costs and the ongoing operating costs of a revised PAF be available?</p>

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Costs: There would be limited costs anticipated apart from the pertinacity for more analysis of problems to ensure swifter rectification with plans agreed by REG and RAB appropriately to resolve issues raised. On current thinking we believe the costs would be absorbed.

It is also Centrica early view that how the modification is progressing and comparing to what was originally agreed in the PAF review, that we cannot actually see what improvements are to be made over and above the current process, securing value to the company or the industry. However we remain open minded and will continue to support the modification to its conclusion before making a recommendation from the company.

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APPENDIX V – Consultation Questions

PAF REVIEW: CONSULTATION ON PAF OPTIONS

BSC Parties and others are invited to respond to this consultation expressing their views or providing any further evidence on any of the matters contained within the report. It would be helpful if respondents supplied the rationale for their responses. In particular views are sought in respect of the following questions.

The feedback received via this consultation will be used to inform the development of alternative assurance frameworks.

Respondent	<i>Claire Walsh</i>
Company Name	Centrica
No. of Parties Represented	
Parties Represented	
No. of Non-BSC Parties Represented	
Non-BSC Parties Represented	
Role of Respondent	<i>Supplier</i>

The consultation responses should be directed to:

Jennifer Clark (Assurance Analyst)¹

T: 020 7380 4125

E: Jennifer.clark@elexon.co.uk

If you have any queries or requests for further information, please contact Jennifer Clark as above.

Business Case Considerations			
Q	Question	Response²	Rationale / General Comments

¹ ELEXON Ltd, 4th Floor, 350 Euston Road, London, NW1 3AW

Business Case Considerations			
Q	Question	Response²	Rationale / General Comments
1.	Do you feel that there is a business case for an assurance regime?	Yes	It is clear from the detailed analysis undertaken by ELEXON with respect to the financial impact of volume misallocation that there is a justifiable business case for an appropriate assurance framework with the aim to (1) improve upon current levels of volume mis-allocation and (2) primarily to protect BSC Parties from the negative financial impacts of others under performance.
2.	Would you wish to see any amendment to the way in which the central cost of the PAF is funded either now or in the future?	Yes	At this point in time we wish to retain the status quo in term of the funding arrangements i.e. funding to continue via the ELEXON funding share mechanism. We would like to see the new arrangements firmly bed in before any alternatives are considered.

Alternative Assurance Regimes			
Q	Question	Response²	Rationale / General Comments
3.	Please indicate which, if any, of the alternative assurance regime options could deliver valuable assurance that would mitigate risks arising under the SVA aspects of the BSC at optimum cost?		
	<ul style="list-style-type: none"> Current PAF 	No	In line with our previous consultation responses we do not support the continuation of a compliance based regime that fails to focus on the material and significant issues.
	<ul style="list-style-type: none"> Reduced PAF: Zero Option 	No	In light of the business case that has been presented in section 4 of the consultation we cannot support an option of essentially “do nothing”. The option of “do nothing” was looked at as a direct comparison to the Gas market. The Gas market has a wholly different structure and a like for like comparison is not appropriate.

² Please delete as appropriate

Alternative Assurance Regimes			
Q	Question	Response²	Rationale / General Comments
	<ul style="list-style-type: none"> Reduced PAF: Information Service 	No	<p>There is an element of dependence on a central service to provide certain assurance tools, the basis of which must allow for some key performance monitoring. An assurance framework should also define a mechanism for rectification which this option clearly does not.</p> <p>In an ideal world this would of course be the preferred way forward, an assurance framework should therefore be flexible enough so as not to preclude an information service option should market conditions allow.</p>

Alternative Assurance Regimes			
Q	Question	Response²	Rationale / General Comments
	<ul style="list-style-type: none"> Reduced PAF: No Central Administration 	Yes	<p>This model has some interesting features and a lot of potential which could and should be worked through in more detail to provide a participant driven, flexible, <u>risk based</u> regime with rectification and improvements driven through a collaborative Supplier based approach. We should not lose the opportunity to develop this model further.</p> <p>The recent CTP ESTMUG arrangements have proved that the market can operate within this "self-governance" framework. This framework also retains the arbitration, breach and default provisions which provides for an additional layer of assurance.</p> <p>Noting the table in 5.5 we do not believe that this model precludes the proportionate and measurable and transparent design criteria that are highly desirable in a revised PAF. We would welcome the further development of this approach to fulfil each element of the design criteria. Within this framework we would see the Supplier Assurance Group as defining its requirements and reporting being delivered through ELEXON as the Service Provider.</p> <p>This option would provide for a creative and radical overhaul of the assurance framework, a key objective of the PAF Review.</p> <p>Within this framework we would see a representative group of Suppliers managing the risks collectively – "accession" to this assurance group could be attained either through the Code (perhaps through an assurance Code of Practise) or even the Supply Licence (noting this would be consistent with the current Supply Licence Review work stream). We would support the addition of 2 further sub-groups, firstly a Supplier Agent sub-group whereby assurance issues could be managed by either a market issue or individually through a Supplier Hub, and secondly with an LDSO sub-group.</p>

Alternative Assurance Regimes			
Q	Question	Response²	Rationale / General Comments
	<ul style="list-style-type: none"> Risk-Based Assurance Regime 	No	<p>This model also provides for a risk based approach, at the heart of the framework separating the risk assessment and risk assurance functions. Whilst flexible in nature and fulfilling the design criteria, the cost of this framework does not provide certainty in terms of overall reduction. There is a high degree of uncertainty within the framework which would be dependent upon the annual risk assessment. However, whilst this approach does provide a vehicle for the assurance of material issues, the approach is more of a tweak of the current assurance framework and not radical in nature.</p> <p>A hybrid of the “reduced PAF – no central administration” and the risk based regime would be highly desirable i.e. using the risk principles from within the risk based option embedded within the no-central administration framework.</p>
4.	Please rate each of the alternative assurance regime options based upon its ability to meet your need for assurance: 1 – does not meet my need 4 – meets my needs completely		
	<ul style="list-style-type: none"> Current PAF 	1	
	<ul style="list-style-type: none"> Reduced PAF: Zero Option 	1	
	<ul style="list-style-type: none"> Reduced PAF: Information Service 	2	
	<ul style="list-style-type: none"> Reduced PAF: No Central Administration 	4	We support the development of this framework based on a risk based approach.
	<ul style="list-style-type: none"> Risk-Based Assurance Regime 	1	

Alternative Assurance Regimes			
Q	Question	Response ²	Rationale / General Comments
5.	If you have any further ideas or comments regarding alternative assurance regimes please set these out here.	[Redacted]	<p>We also have the following comments to add:</p> <p>(1) With the recent conclusion of the P197 modification we would not support the further re-engineering of the SVA Qualification process and request that this is specifically out of scope of the final recommendation report.</p> <p>(2) We believe that SVA objective A should be embedded within Section S of the Code. However, in consideration of the SLR and the imminent Industry Code Compliance Review, this should not preclude the potential for the objective to be embedded within the Transmission Licence.</p> <p>(3) Going forwards we believe that assurance should be monitored from different perspectives, including by Supplier and Party id, by HH and NHH, by domestic and non-domestic and by GSP Group.</p> <p>(4) To provide the market with a certain level of stability throughout the transition from the current PAF to a risk based no-central administration framework (our preferred option) we would recommend that the existing Serials, Standards & Supplier Charges are continued to be managed as-is for a period of [12 months] at which point the Industry would review the requirements for Supplier Charges, the current serials and the associated standards.</p>

Assurance Tools			
Q	Question	Response ³	Rationale / General Comments

³ Please delete as appropriate

Assurance Tools			
Q	Question	Response³	Rationale / General Comments
6.	Do you believe that the tools set out in section 7 of this report would provide an appropriate, rounded suite of assurance tools that would be able to address an satisfactory range of identified risks?	Yes	
7.	Would you wish to see any amendments to the suite of assurance tools set out in section 7 of this report?	Yes	

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