Responses from P207 Second Assessment Consultation

Consultation Issued 23 February 2007

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	Scottish and Southern Energy plc	P207_AR_01	6	1
2.	Energywatch	P207_AR_02	0	1
3.	IMServ Europe Ltd	P207_AR_03	0	5
4.	Scottish Power	P207_AR_04	7	2
5.	Npower Limited	P207_AR_05	10	0
6.	E.ON UK Energy Services Limited	P207_AR_06	0	1
7.	Gaz de France Marketing ltd	P207_AR_07	1	0
8.	British Energy	P207_AR_08	5	0
9.	EDF Energy	P207_AR_09	9	0
10.	Centrica	P207_AR_10	1	0
11.	E.ON UK (*)	P207_AR_11	5	0

(*) Late Response

P207 SECOND 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
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	Yes	It provides a flexible framework which will facilitate better use of resources by focusing on the important issues that affect settlements.
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	Yes	This seems to be a sensible approach which will ensure continuity of PA during the transition period.

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Q	Question	Response	Rationale
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	No	The PAF review identified and investigated a wide range of options, which lead to the recommendations in its final report. The proposed modification supports those recommendations.
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	Yes	If the responsibility is delegated by the Panel it may create an anomaly in the appeals process. For this reason we would prefer to see the responsibility assigned to PAB.
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	No	As the remit for this committee is different from the old PAB it needs a re-direction of thought. We would not like to see the new committee hampered by pre-conceptions founded in the old PAB. Changing the name of the committee would encourage a fresh approach.
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	It provides sufficient avenues of redress.

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Q	Question	Response	Rationale
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	It provides sufficient avenues of redress.
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	Yes	It will ensure the Panel will take them into account in the event of an appeal.
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	No	
10.	Are there any further comments on P207 that you wish to make?	No	

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Please send your responses by **17:00 on Friday 9 March 2007** to modification.consultations@elexon.co.uk and please entitle your email '**P207 Second Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

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Respondent:	*Carole Pitkeathley*
Company Name:	*energywatch*
No. of BSC Parties Represented	*None*
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	*1*
Non Parties represented	*energywatch*
Role of Respondent	*Statutory consumer watchdog*
Does this response contain confidential information?	*No*

Q	Question	Response Error! Bookmark not defined.	Rationale

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Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	Yes	Developing risk-based assurance provides greater focus on, and prioritising of, settlement risks depending on their significance, and allows these risks to be addressed more appropriately. Compliance-based assurance casts the net too wide, fails to pinpoint the most significant risks and prevents the industry, collectively or individually, from addressing those risks effectively despite efforts by market participants to minimise risks and non-compliance. P207 will better meet: Applicable Objective b) - greater focus on, and resolution of key settlement risks ought to improve demand forecasting long term. This is not the main benefit of implementing P207, but a significant by-product. Applicable Objective c) – the real benefit will arise from identifying, prioritising and resolving significant risks to settlement, allowing energy to be settled more equitably and raising the level of data quality in the market by ensuring effective action is taken to clean up errors (to comply with the SVA Objectives). New entrants will be more aware of the most significant risks and ensure that their systems/processes are robust prior to market entry. More new entrants will join the market if there is increased confidence through assurance that existing market participants are complying with their obligations, thereby promoting increased competition in supply. There are also real benefits for existing participants who may currently be allocated and be paying for energy through settlement which does not reflect their actual usage. Focusing on significant risks tackles the potentially discriminatory impact of inequitable energy allocation, which may disproportionately affect small players. In the long term, real cost savings will be derived by market participants from cleaning up data and more appropriate allocation of settled energy, savings which can be passed on by suppliers to consumers. Applicable Objective d) – more focus on resolving short-term problems has long-term efficiency benefits for the balancing and settlement arrangements.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	Yes	We broadly agree with the implementation approach as outlined. The BSC and BSCP changes ought to be made on the proposed implementation date with any practical changes to the existing suite of assurance techniques occurring on the effective date. The current techniques should apply in the meantime to ensure assurance is ongoing. We agree that the effective date may be event driven. It also seems self-evident that query and appeal processes need to be set out on implementation to ensure that all participants know what to do after the effective date if they wish to query or appeal their RMPs. The process described in the P207 solution can serve as the template for description in any new BSCP and should be lifted directly to keep implementation costs low.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	No	We do not believe that there are further alternative solutions. We note the alternatives discussed by the Mod Group but it is clear that some of these had been ruled out by most respondents to the previous assessment consultation even before Authority provisional thinking was requested and provided, e.g. a representative PAB. The Mod Group could have curtailed further discussion of these much earlier.
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	Yes	The discussion under P197 about the PAB's role in qualification was in the context that PAB could be dissolved by a modification arising from the PAF Review. Since then, the Panel has effectively future-proofed PAB's role under P197 based on the knowledge that PAB will not be dissolved. Approval of P207 can confirm that solution by further updating the revised BSC baseline once P197 is implemented. We consider it unlikely that P207 will be implemented before the P197 implementation date. In fact, if the impact assessments favour early implementation of P207, efficiency would suggest a P207 implementation date coincident with P197 to deal effectively with the qualification process issue.

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Q	Question	Response Error! Bookmark not defined.	Rationale
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	No	Our earlier preference was for a different name which would reflect the two distinct roles that a body(ies) would be performing under the risk-based framework, namely the evaluation of risks, and monitoring/compliance (assurance). We still believe that RAB (Risk Assurance Board) would represent a clean break with the use of PAB and its association with current compliance-based assurance. We do not believe that the rebadging exercise required for the legal drafting for P207 will be made more difficult by changing the existing name. It is a matter of locate and amend. Many respondents to the last consultation preferred a new name for the relevant body.
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	It is important that the query/appeal process is simple, easy to understand and carried out expeditiously. Early intervention through discussion between the participant and the PAB prior to PAB approval of the RMP may resolve the difficulty before any need to raise a formal query. Once a query is raised, 10 working days is sufficient time for a participant to formally put forward a case. This also applies to appeals to the Panel. We fully support the Authority provisional thinking ruling out further appeals to the Authority.

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Q	Question	Response Error! Bookmark not defined.	Rationale
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	The criteria set out clearly that only procedural defects in the PAB's decision-making can be appealed. We agree with the Authority provisional thinking that these should be the only grounds for appeal. Any 'commercial' appeals should be disallowed as ultimately a risk correctly attributed to a participant in its RMP needs to be rectified to ensure compliance with its BSC obligations. The wider commercial effect of non-compliance is probably more severe for all participants otherwise a risk would not be identified as significant with high priority for resolution. The PAB's decisions should not be viewed as subjective, even if a risk to the market is identified with one participant only, given that it will be composed of independent experts who will be expected to act without fear or favour. It is not unreasonable to say that one participant's non-compliance in one area may create risks for the market and therefore, it is not discriminatory to apply assurance techniques only to that participant. Arguably, the risk posed by that participant is discriminating against all other participants.
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	Yes	The SVA Objectives provide a more specific benchmark within performance assurance against which participant performance is being measured. These Objectives are not superior to the Applicable BSC Objectives but are intended to provide greater focus in the specific context of performance.
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	No	The process set out is reasonably clear in terms of risk identification, evaluation and assurance, leading to ultimate resolution. There are appropriate places in the process for industry input and industry should make full use of these opportunities.

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Q	Question	Response Error! Bookmark not defined.	Rationale
10.	Are there any further comments on P207 that you wish to make?	Yes	P207 is intended to enhance supplier performance and give greater assurance to existing participants and potential new entrants, as well as third parties, that compliance is effective. The obligation to comply remains, even for low-level non-compliances, and market participants must also address these appropriately. The long-term benefits, we believe, will outweigh any short-term issues and create cost savings for all participants which consumers will reasonably expect to be passed on in due course.

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P207 SECOND 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:	*Clare Hannah*
Company Name:	*IMServ Europe Ltd*
No. of BSC Parties Represented	
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	*5*
Non Parties represented	*IMServ Europe Ltd*
Role of Respondent	*Party Agents: HHDC, HHDA, MOP, NHHDC,NHHDA*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	**No**	Whilst respectful that the proposed approach addresses the initial processes of a Performance Regime by suggesting a more structured and dynamic method of determining areas of risk, we remain unconvinced that this will result in the desired increase in overall effectiveness of the PAF. As noted, the process for scoping the work will change however the ensuing processes appear to remain fundamentally unchanged featuring the same: - Parties, issues and corrective techniques and therefore we are doubtful that many, if any, improvements will be seen at this latter stage of the process. As we anticipate an increase in costs we therefore believe that the change, in its current format, cannot be justified

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Q	Question	Response	Rationale
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	**Yes**	Whilst we do not support the Modification, this is a sensible approach.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	Yes / No	The Group has considered and rejected alternative performance assurance techniques however we believe that this is the area which should be focussed upon as, good performance is generally driven by the wish to avoid the implications of bad performance.
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	**No**	We recommend that this proposal should be put on hold pending a review of both the workload and appropriateness of remit of the PAB following the implementation of the change.
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	**Yes**	As it has been proposed that the membership of the PAB remains unchanged and its is anticipated that the majority of the Industry will continue to refer to the Committee by this name (irrespective of any formal name change) we do not believe a rebranding exercise can be justified from a cost perspective.

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Q	Question	Response	Rationale
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	**No**	We believe that the detail of this process, as described in sections 2.2.3 and 4, has not been sufficiently clarified with regard to Party Agent's and whilst there is reference in later parts of the document, the current views of the Group are unclear. We are therefore assuming that the intention is to allow a Party Agent to query their Risk Management plan direct whereas any additional steps in the query process must be managed via an "associated" Supplier. In our previous response we raised questions regarding the "choice of Supplier and their willingness to co-operate" and do not believe that this question has been adequately addressed, nor provision made for this scenario, and are therefore unable to support the proposal. We note reference in the document to the rationale for "raising appeals via a Supplier" as "an extension of the Supplier HUB principle", and whilst this principle may be effective in the majority of instances, there are scenarios where this fails, as can be seen in some of the current Market Issues. It is therefore imperative that this be recognised as a risk and alternative processes made available.
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	**No**	See above.
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	Yes / No	Impartial
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	**No**	

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Q	Question	Response	Rationale
10.	Are there any further comments on P207 that you wish to make?	**Yes**	• Identification of Risks If the Risk Register is to be populated, in part, by the findings of the Audit and the scope of the audit is in turn to be revised to reflect the contents of the Risk Register, is there the potential that the view of life will in time become too blinkered as there is a significant reduction in opportunity for identifying new issues via the audit work. • PAB Workload It can be assumed that the workload will increase as the PAB's remit extends – has any consideration been given to the actual logistics/feasibility of coping with the increased volume. • Timescales Whilst the process has been considered in terms of sequence of events, has any consideration been given to the actual timescales and requirement for certain deliverables at specific points in the year. • Formation of the PAB/RAB We believe that in "only inviting the BSC auditor to attend meetings when required" there is an invaluable opportunity lost to receive input and opinion from an entity that is unique in being both truly independent and also expert (with first hand experience) of all areas of the Settlement process. There is risk involved in "inviting people as required" as this presupposes that the Group will always be able to forecast this requirement and make suitable arrangements in advance. In practice, discussion often arises at times other than a "tabled agenda item" and therefore the relevant people should always be present.

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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:	Chris Carberry
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	Supplier/Generator/ Trader / Party Agent / Distributors
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	Yes	The risk-based approached for the first time will allow the market to prioritise issues and potential issues in the market rather that treat all non-compliances equally. This will result in the biggest causes of error in the market being tackled more robustly than they have perhaps been to date. In addition market participants will be able to better allocate resources to these priority areas improving efficiency. As such BSC Objectives (c) and (d) are clearly met.
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	Yes	This is as simplistic as is possible. However by taking such an approach there is a risk that the level of cultural change required is not realised. Scottish Power would request that the BSC Panel review the changes required within the existing PAB to ensure they deliver against the new Terms of Reference.

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Q	Question	Response	Rationale
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	No	I believe that discussions within the Modification Group have been wide-ranging and detailed.
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	Yes	Given the sole rationale for excluding it from the existing PAB was that the existence of the Board was in question in the light of P207, then there remains no reason for its continued omission.
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	No	The role of the PAB will change significantly and cannot accurately be described as assuring performance. To enhance the cultural change and understanding required both within the Board and the industry in general the body should have a name reflective of its purpose. I can think of no other situation where the purpose and direction of a business or a department significantly changed and was not paralleled by a revision of their brand or description. The cost of this change is negligible whereas the benefit of a clear understanding within the group and the industry is invaluable. In the absence of any other name for the new body perhaps the 'Risk Assurance Board' or 'Risk Management Council' could be used.

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Q	Question	Response	Rationale
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	An appeals process is an essential part of managing risk and non-compliances. The process detailed here is both realistic and efficient. I suspect that little will ever go beyond the enquiry stage however it does provide a check on actions being imposed on participants.
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	The criteria are wide enough not to be exclusive without being open to frivolous appeals.
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	Yes	The SVA Objectives compliment the current BSC Objects and provide clarity on this area of the market.
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	No	
10.	Are there any further comments on P207 that you wish to make?	Yes	ScottishPower recommends that the BSC Panel review the success of P207 6 months after implementation. This should be designed to ensure the new group has transitioned to the new arrangements successfully or if some follow-up is required. P207 will introduce some welcome but fundamental changes to the industry and it is good practice to review post-implementation to measure whether what was intended did indeed occur.

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Respondent:	*Richard Harrison*
Company Name:	*Npower Limited*
No. of BSC Parties Represented	*10*
Parties Represented	*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*
No. of Non BSC Parties Represented (e.g. Agents)	*None*
Non Parties represented	*N/A*
Role of Respondent	*Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	Yes	We think the principal benefit will be in terms of objective (c), although there may also potentially be minor benefits under objective (d). We believe the current process already seeks to focus on the more material issues as a priority (although the nature and materiality of the impact is not always fully understood by participants). In relation to objective (b), we think the relationship between SVA (as opposed to CVA) data quality and operation of the transmission system is not very clear and certainly not a direct one.

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Q	Question	Response	Rationale
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	No	We would agree with the intent that the current arrangements should continue in force until the new arrangements are fully in place, and would note that the Code changes will need to be explicit on this. Given the current number of apparently significant compliance issues, it is important that an effective enforcement regime continues to exist through the transition. However, we would assume that any new BSCP or changes to CSDs needed to support the governance arrangements under P207 would need to come into force on the Implementation Date, although it is not clear from the diagram in 3.11.1 that this is what is proposed. We do not think it is legally sustainable that a participant should have to comply with strict deadlines for query/appeal of RMPs issued when the relevant governance arrangements/procedures have not yet come into force.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	No	
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	Yes	If the Qualification Process is to be regarded as part of the Performance Assurance Framework, this is a logical step.

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Q	Question	Response	Rationale
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	Yes	We don't believe a name change would make much difference, provided that the change in role is clear from the change in the PAB's terms of reference (and the relevant Code and CSD changes).
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Qualified Yes	The process seems to provide a reasonable safeguard against the possibility of unfair treatment of individual participants. However, we are very concerned that the definition of what a Risk Management Plan consists of is still not clear, and that it is being assumed that this can include provisions such as Supplier Charges, the rules for which are outside the jurisdiction of the PAB and the Panel (except to apply them). If such things are not legitimately part of Risk Management Plans, they will require separate query and appeal provisions. Also, it remains to be seen whether it is possible to prevent an 'independent' Party Agent (i.e. one who is not a party to the Code) raising an issue concerning a Risk Management Plan (which it feels is unduly onerous) with the Authority in the latter's capacity as a competition authority.
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Qualified Yes	Subject to the comments above in the response to Q6, concerning what can legitimately be considered as part of a Risk Management Plan, we agree that the criteria proposed are adequate to deal with most likely issues.
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	Yes	This makes it much less likely that the Panel would find itself constrained by objectives which are in conflict with the SVA Objectives, which would frustrate the purpose of having the latter.

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Q	Question	Response	Rationale
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	Yes	We remain concerned that the imposition of Risk Management Plans under a 'Risk based' Performance Assurance regime is a potential back-door route for imposing what might be seen as additional onerous obligations on Parties who are compliant with the Code. We believe there needs to be an explicit recognition that techniques to detect errors or non-compliance, while being effective, should not impose an undue burden on participants not already shown to be non compliant in the relevant respect.
10.	Are there any further comments on P207 that you wish to make?	Yes	There are a number of important new features in this Proposed Modification, such as the introduction of the SVA Objectives and a more transparent process in relation to the prioritisation of issues, which we think should lead to a greatly improved understanding of PAB's role and the issues concerned. However, we do not think it represents such a major change in practice as many people are making out, given the number of issues in the market and the fact that the PAB and the Panel are already necessarily prioritising action on these based on perceived materiality and guidance from the BSC Auditor.

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 **17:00 on Friday 9 March 2007** to modification.consultations@elexon.co.uk and please entitle your email '**P207 Second 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.

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P207 SECOND 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:	*Alastair Barnsley*
Company Name:	*E.ON UK Energy Services Limited*
No. of BSC Parties Represented	*0*
Parties Represented	
No. of Non BSC Parties Represented (e.g. Agents)	*1*
Non Parties represented	*E.ON UK Energy Services Limited*
Role of Respondent	*Party Agent*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	No	We believe that the applicable the applicable BSC objectives are c & d. We do not believe that any of the reasons given in support of objective (c) promote competition in the industry indeed it would appear that the one of the stated benefits would be a positive barrier to market entry. The justification in support of objective (d) does not appear to supported by evidence. Whilst it may be speculated that the new arrangements could produce cost savings for participants it has not been demonstrated let alone quantified that savings will be made in the cost associated with central functions.
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	No	The implementation approach lacks detail and no meaningful evaluation can be carried out until greater detail can be provided for this complex implementation.

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Q	Question	Response	Rationale
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	No	It would appear that all reasonable solutions have been considered by the panel
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	Yes	If PAB is to remain this would appear logical
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	Yes	Given the fact that the new process will only utilise one body this is a valid approach.
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	No	We maintain the view that it is necessary for party agents to retain an independent right of appeal over their risk management plans. Having reviewed the reasons given for not allowing this independent right of appeal we find none of the arguments compelling.

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Q	Question	Response	Rationale
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	Yes	
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	No	
10.	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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P207 SECOND 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:	*Craig Tate*
Company Name:	*Gaz de France Marketing ltd*
No. of BSC Parties Represented	*1*
Parties Represented	*n/a*
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	*Supplier*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	Yes	We believe it better facilitates BSC Objectives c & d as it would help identify where there is high risk within the market and these areas would be resolved sooner as these areas would be seen as higher priority. Also the BSSCo could focus more on helping the industry resolve non compliances within the market.
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	Yes	We agree that the approach for implementing P207 is satisfactory as this gives time to put together the risk register, produce the operating plan ready for the effective date.

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Q	Question	Response	Rationale
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	No	We believe that the current solution will be sufficient enough.
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	Yes	We believe that assigning this to PAB directly will make it easier to implement and action and leave the Panel to deal with other priorities.
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	Yes	We cannot see any reason for this to change. It makes the transition more simplified as the only thing to change would be the terms of reference.
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	We find these arrangements clear and concise for the query and appeals process.

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Q	Question	Response	Rationale
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	Again we believe these would fulfil all areas for appeal
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	No	We believe that these should be retained within the Terms of Reference
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	No	
10.	Are there any further comments on P207 that you wish to make?	No	

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P207 SECOND 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:	*Martin Mate*
Company Name:	*British Energy*
No. of BSC Parties Represented	*5*
Parties Represented	*British Energy Direct Ltd, British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, British Energy Generation (UK) Ltd, Eggborough Power Ltd*
No. of Non BSC Parties Represented (e.g. Agents)	*-*
Non Parties represented	*-*
Role of Respondent	*Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	Yes	P207 would address performance non-compliances based on materiality in Settlement, creating efficiencies in resolution and improved data quality overall.
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	No	We would like clarification of the implementation approach described in the consultation document. According to the methodology, the PAB Terms of Reference would be updated on the implementation date. Under P207 the industry has to be consulted on changes to the ToR. Update of the Terms of Reference on the implementation date rather than the effective date does not allow time for consultation. Therefore the PAB Terms of Reference should not be updated until the P207 effective date.

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Q	Question	Response	Rationale
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	No	
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	Yes	We consider it sensible and efficient for the Panel to delegate responsibility to the PAB (and only the PAB). This would allow decisions of the PAB on process issues to be referred to the Panel where agreement cannot be reached, as for other committees.
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	Yes	It is not necessary to carry out a rebranding exercise and to do so would be inefficient as it would require changes to a number of documents.
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	

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Q	Question	Response	Rationale
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	In some respects it is unfortunate the Authority did not feel it necessary to have a role in determining appeals on interpretation of the intent of the proposed Code text.
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	Yes	This would ensure that the Panel take account of the SVA Assurance Objectives when approving the Risk Management and Operating Plan.
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	No	
10.	Are there any further comments on P207 that you wish to make?	No	

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P207 SECOND 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:	Dave Morton
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 (e.g. Agents)	0
Non Parties represented	N/A
Role of Respondent	Supplier/Generator/Trader/Distributor
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	No	Overall we feel that this modification will be neutral in its impact on better facilitating the BSC objectives. We agree that objective (d) would benefit in having a more efficient and accurate settlement system by providing focus on significant risks. However, the process introduced and the three different appeal routes could lead to delays in addressing such issues which would have a negative effect on objective (d). As noted, the BSC will still place an obligation on parties to comply fully. This process could be considered as reducing that obligation by assigning priorities to different issues. With this in mind this could be considered as being counter to objective (d) and possibly objective (b). At this stage we do not see, therefore, clear benefits from this modification when assessed against BSC objectives. We do however see the benefit

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Q	Question	Response	Rationale
			that significant issues can be given priority by parties as action on these provides best return for all parties.
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	Yes	Although we do not support this modification, we believe that the implementation approach detailed seems practical. A period of time will be required to ensure all new products are created, checked and passed as fit for purpose. It would seem that timescales between implementation and effective dates will depend more on when these central issues can be resolved rather than any impact on parties.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	No	
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the	Yes	Given that PAB is now to be used to manage this process it is sensible to make this change. The BSC Panel were only assigned as owning Qualification Process under P197 due to potential changes within P207.

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Q	Question	Response	Rationale
	Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.		
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	Yes	There is no need for a name change even though terms of reference and therefore PAB's operations are amended. There is no justification for this and this change would incur extra costs in amended and rebadging documentation.
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	If this modification is taken forward then this appeals process will need to be in place. We do though feel that this appeals process could lead to problems in delaying action on risks if a party does not agree that all information has been taken into account.
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	The criteria seems sensible but we have concerns with following statement: *"...PAB has given too little or too much weight to particular circumstances..."* This is very subjective and could lead to abuse of this process to introduce delays into addressing issues. However, we can see no way around this issue other than subjective monitoring of such appeals by PAB in an attempt to discern any such misuse.
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	No	There seems to be no real need for these to be a subset of Panel Objectives. PAB will be fully responsible for managing this area so adding these to Panel objectives no longer seems appropriate. However, as PAB should take these into account when attempting to identify risks it could be that they should be considered for inclusion in any new BSCP required to enable implementation of this modification.
9.	Does P207 raise any issues that you believe have not	Yes	We do not see any value being added to the work currently being carried

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Q	Question	Response	Rationale
	been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.		out by Elexon as a result of these changes. We need to be careful that any changes do not lead to an increase in costs.
10.	Are there any further comments on P207 that you wish to make?	Yes	We understand that this modification has been complex and a significant amount of discussions need to be provided to parties to assess outcomes. However, we have had extreme difficulty in understanding the consultation document to fully understand points being made and final outcome for each area.

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P207 Second 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	**1**
Parties Represented	Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).
No. Of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	Please list all non-Parties responding on behalf of (including the respondent company if relevant).
Role of Respondent	**Supplier**
Does this response contain confidential information?	**No**

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P207 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	No	Centrica do not believe that P207 would better facilitate the BSC objectives. We acknowledge that there is a potential to reduce the BSC Audit Cost, but as can be seen below there are no cost savings or potential improvements actually demonstrated in the consultation document. The P207 Mod Group has not produced any estimated or actual costs for running the existing processes, and it has not provided implementation costs for the new process. Nor has the P207 Group provided forecast costs for the new processes and running of Risk Based assurance. It would be wrong of Centrica or any other Party to agree to changes to the BSC if we cannot demonstrate financially what these improvements would look like or indeed improve.

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			Section 4 Applicable BSC Objective (c) - Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity: The responses within the Consultation talk about "significant risk" but the working group has not defined risk to Settlement. How can this better facilitate the BSC Objectives when it is called 'significant risk', when in actual terms only Material Risk should be evaluated and this is not mentioned. Again High Risk elements are put forward as an improvement to the BSC Objectives but again there is no definition or examples provided as to what determines or defines High Risk. P207 also highlights the need to encourage new participants to manage significant risks, but again there is no identification of actual Material issues, or specific examples enabling Parties to relate this to actual risks. Finally, there is mention that PAB would be more accountable to Parties but again there is no clear definition within the consultation of how this would be achieved in practice or in theory. Applicable BSC Objective (d) - Promoting efficiency in the implementation and administration Of the Balancing and Settlement arrangements: The proposal looks at the BSCCo to help the industry to resolve "Significant Risks" – however, nowhere is Material Risks defined, and there are no examples provided with cost efficiencies or savings identified. P207 contradicts itself in that all current Risks and Issues will be transferred to the new Risk Register. All of these Risks are transferred without fully evaluating the Material Risk; therefore P207 is just transferring information from a compliance-based document to a risk-based document with no benefit.
2.	Do you support the implementation approach described in the consultation document?	No	Centrica are happy with part of the approach taken by the P207 Mod group around the changes to the Code, BSCP's, Updated Terms of reference, and Education of Party members. However, we are not comfortable with a number of key areas and therefore cannot support the overall approach:

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	Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.		Publication of the Risk Register without Party agreement - how will this be agreed upon? The transfer of all existing Risks to the Risk register seams inappropriate when we are going to a Risk-based regime. It would be more fitting to evaluate all Material Risks of existing known problems in advance and insignificant ones may not even make the new Risk Register. How will guidance be provided to the newly formed PAB and the Panel on what constitutes a Material Risk to settlement and how will this scale be utilised? Will the guideline stipulated in BSCP534 and other BSC documentation be classified as scalability in terms of risk?
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	Yes	Centrica has suggested that there is the potential to explore a Central Governance structure as was discussed in the PAF review as an alternative. However due to time constraints we have not been able to put forward a fully worked up model at this time. I have indicated below our initial views but only for reference at this time although there is the possibility to use perhaps the Matrix as help for the current thinking on P207. There is the potential for the BSCCo and Suppliers to provide a comprehensive Key Performance Metrics that would govern the main requirements of Settlements. These could be extracted from the BSC, BSCP's and Party Service Lines respectively providing a detailed evaluation matrix as a platform. Tolerance would be stipulated with a banding of materiality for each level and costs imposed on Parties failing to meet the standard via the BSCCo. Suppliers would then manage all the processes internally via their normal day-to-day activity monitoring the process against these Key Performance Metrics. If Suppliers were outside of these tolerances penalties would be incurred.

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			For new Suppliers, accession to the Code would be administered by Elexon and close monitoring would take place to ensure that all areas were covered – there would then be a report directly to the Panel. This would be paid for by the new Supplier entering the market rather than smearing the cost across the industry. For Breaches of the Code a separate independent body would be set up with the intention to make binding decisions, thus reducing the risk of smearing of costs.
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	Yes	Centrica agrees with this stance although if an alternative was agreed as in question 3 this may have to be re-considered.
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	No	PAB is not a naming issue it is about quality membership, decision-making and pragmatic application of the Code to assess and manage material risks to Settlement! Centrica is increasingly concerned that Committee representation is made up of people that are not operational market participants and therefore they do not have current market knowledge. We are also keen to understand what the criteria are for being an "Industry Expert", deemed necessary for the new PAB membership. In particular we are keen to have transparency in the selection of individuals with Electricity Supplier Knowledge to enable decisions to be clearly made. We would also encourage a Person requirement specification to be drawn up by P207 mod group.

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6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	Centrica have already identified that when setting up the new Risk Register, care should be taken to ensure that the new risks assigned to the formation of the new PAB should be quality checked for materiality. If a Party does however find any reason to query their plans after discussing with the BSCCo and then with PAB it does fit that a Party could appeal its risk plans. We are keen to see how the risk model will be applied and what tools will be used to identify materiality of an issue and what constitutes a risk, as this has not been considered in P207. Is P207 intending to utilise existing methods as in BSCP534 to facilitate the risk model?
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	Please note that under 2.2.4 Paragraph 4 we would be keen that all company sensitive information will not be shared with other Party members and that only general Risks are discussed in open session. Centrica do believe this is a reason for re-considering the careful naming of PAB and that the original modification with REG and RAB should be used to differentiate between open and closed sessions.
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	It is logical that if the Panel has clear objectives to ensure a Risk Based assurance mechanism it follows that SVA should have a sub set of the SVA objectives.

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	Please give rationale.		
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	Yes	Exec Sum, 5th statement – we are concerned that the Panel can raise Modifications in the area of Performance Assurance. If a BSC Party believes a change should be made it is in their right to raise it, and this right should not extend to the Panel. Centrica would prefer that the Panel be restricted to raising housekeeping Modifications than general modifications. Exec Sum, 6th statement – Centrica have also revisited the thoughts around CVA and why it was ever included in the modification of P207. If a separate body was to be set up for governance of CVA it would allow the SVA arrangements and "in practice the application of performance assurance techniques in CVA areas would not change". My view flows through to most of the comments relating to CVA within the document. Exec Sum, 9th statement – we believe that under P207 this modification should remove any existing non-compliances even in areas of low risk. The risk-based approach may indeed negate the requirement for some issues to have a PAF technique applied to them ever. 2.2.1 Identification of risks - it currently says, "perceived to be some risk to Settlement". "Some" does not support a risk-based approach. This should say, "perceived to be a material risk to Settlement". There are several statements through the document (starting in 2.2.1) that allows BSC Parties, Party Agents, BSC Agents, BSCCo or other interested Parties at any point in time to identify risks and for consultation with & appeal decisions etc. The basis of the BSC is that the BSC Parties are responsible for their performance therefore no other participant or person should define a BSC Parties operation within the PAF - it is not a free for all. All references in this document should be amended to BSC Parties only. In addition, with regard to the Supplier hub, we would not want Party Agents to have the ability to challenge a directed process of ours or an agreed internal non-compliance that lends itself to an issue.

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			We would suggest that the PAB must consult with BSC Parties for all changes it makes to the risk register. It is a red-herring to suggest that they may not consult to keep down the overall number of consultations – we would ask PAB to do so only in extreme circumstances should a new risk be added to the risk register. 2.2.2 It says the operating plan would include costs for the year - whose costs would these be, BSCCo's? 2.2.2 It suggests that a participants operating plan "would be prepared by the PAB, where appropriate in conjunction with the participant" - it should be an inclusive process with the operating plan – it cannot be prepared without input & sign-on from the participant.
10.	Are there any further comments on P207 that you wish to make?	Yes	Within the PAF review there was a lot of discussion around the need to have a Supplier Group to agree market rectification activities in the first instance rather than going to PAB. This supports some of the theory around an alternative modification. Many of the issues in the market place currently could be potentially be resolved with better Supplier to Supplier co-operation but we firmly believe that a Supplier only forum would assist here. Page 9 bullet 4 - why do the PAB think that they will know a participant's control environment for each SVA process risk? Will this increase the audit scope/cost and/or intrusiveness over and above an already extensive audit of our processes? We need assurances that any reporting, whether confidential or not, does not allow for the publication of any commercially sensitive information - we should retain final sign-off of any report that details our behavior (as we agree with Elexon currently). The report seems to overcook the issues of Committee membership - we have got around the issue of multiple participants with different working examples e.g. MDB, SVG. We believe that only BSC Parties should be able to sit on committees,

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			whether or not the debate around Independent or not can be resolved.

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 **17:00 on Friday 9 March 2007** to modification.consultations@elexon.co.uk and please entitle your email '**P207 Second 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.

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P207 SECOND 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:	Rosie McGlynn
Company Name:	E.ON UK
No. of BSC Parties Represented	5
Parties Represented	**E.ON UK plc (SVA), Powergen Retail Ltd, Citigen (London) Ltd, E.ON UK plc (CVA), Economy Power**
No. of Non BSC Parties Represented (e.g. Agents)	*0*
Non Parties represented	
Role of Respondent	*Supplier/Generator*
Does this response contain confidential information?	*No*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification **P207** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s). See section 4 of the consultation document for the Modification Group's discussions of this point.	No	The only objective this modification is relevant to is objective c. It is difficult to see how competition will be enhanced by this modification as the introduction of Risk Management Plans may be fairly burdensome for new entrants as it is likely their activities will be regarded as high risk. The arguments presented so far in support of this modification have failed to be compelling at the modification groups.

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Q	Question	Response	Rationale
2.	Do you support the implementation approach described in the consultation document? Please give rationale. See section 3.11 of the consultation document for the Modification Group's discussions of this point.	No	The implementation approach as presented in the consultation document is difficult to follow and understand. As a result of the modification group's decision to merge the REG and RAB activities into one group implementation of this modification is likely to be complex. If there were two groups carrying out the functions as described in the initial modification proposal it would be easier to describe a sensible implementation approach. There needs to be further detail documented to explain when the revised powers of the PAB will come into effect and how existing non compliances will continue to be managed.
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale and a full explanation of the details of any Alternative solution. See section 2 of the consultation document for the Proposed solution and section 3.9 for the potential alternative solutions that the Modification Group's have agreed not to take forward.	No	The modification group have discussed to varying levels of detail alternative solutions to a group called the PAB carrying out the REG and RAB functions agreed by the PAF Review Group.
4.	Do you agree that the Qualification Process that will be introduced by Approved Modification P197 should be assigned to the PAB (at the moment it is assigned to the Panel who has delegated this role to the PAB)? Please give rationale. See section 3.6 of the consultation document for the Modification Group's discussions of this point.	Yes	

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Q	Question	Response	Rationale
5.	Do you agree that the PAB should retain its current name? Please give rationale. See section 3.3.3.3 of the consultation document for the Modification Group's discussions of this point.	Yes	The communication of the changes to PAB's Terms of Reference should be enough to provide the Panel and Industry an understanding of the new functions PAB will be carrying out.
6.	Do you agree with the Proposed Query / Appeals process as set out in sections 2.2.3 and 2.2.4 of the consultation document? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	The description of the query process would benefit from improved clarity around how Risk Management Plans are going to be produced.
7.	Do you agree with the criteria for appeal of the Risk Management Plans, as set out in section 2.2.4? Please give rationale. Also see sections 3.1.1.3, 3.1.2.3, 3.1.3.4, 3.1.4.1 and 3.1.5.1 of the consultation document for the Modification Group's discussions of this point.	Yes	
8.	Do you agree that the SVA Objectives should be a subset of the Panel Objectives? See section 3.1.5.1 of the consultation document for the Modification Group's discussions of this point. Please give rationale.	Yes	
9.	Does P207 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale.	No	Please see previous consultation response.
10.	Are there any further comments on P207 that you wish to make?	No	Please see previous consultation response.

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