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20 January 2003

The National Grid Company, BSC Signatories and  
Other Interested Parties

Our Ref: MP No P63

Dear Colleague,

**Modification to the Balancing and Settlement Code (“BSC”) - Decision and Direction in relation to Modification Proposal P63: “Change of Contract Management of MPAN's for Data Collector, Data Aggregator and Meter Operator”**

The Gas and Electricity Markets Authority (the “Authority”)<sup>1</sup> has carefully considered the issues raised in the Modification Report<sup>2</sup> in respect of Modification Proposal P63, “Change of Contract Management of MPAN's for Data Collector, Data Aggregator and Meter Operator”.

The Balancing and Settlement Code Panel (the “Panel”) recommended to the Authority that Modification Proposal P63 should be made with an Implementation Date of 20 Working Days after the Authority decision.

The Authority has decided to direct a Modification to the BSC.

This letter explains the background and sets out the Authority’s reasons for its decision. In addition, the letter contains a direction to The National Grid Company plc (“NGC”) to modify the Balancing and Settlement Code (“BSC”) in line with Modification Proposal P63, as set out in the Modification Report.

This letter constitutes the notice by the Authority under section 49A Electricity Act 1989 in relation to the direction.

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<sup>1</sup> Ofgem is the office of the Authority. The terms “Ofgem” and “the Authority” are used interchangeably in this letter.

<sup>2</sup> ELEXON document reference P063RC, Version No. 03, dated 28 October 2002

## Background

British Gas Trading Limited submitted Modification Proposal P63, "Change of Contract Management of MPAN's for Data Collector, Data Aggregator and Meter Operator" on 6 January 2002. The justification for the Modification Proposal was that it would better facilitate achievement of the Applicable BSC Objectives<sup>3</sup> C3 (3) (c) and (d).

The Panel considered the Initial Written Assessment at its meeting of 17 January 2002, and agreed to submit Modification Proposal P63 to the Definition Procedure. The Volume Allocation Modification Group (the "Modification Group") considered the Modification Proposal. A Definition Report was submitted to the Panel meeting of 14 March 2002 outlining the issues raised by the Modification Proposal. On the basis of the analysis, consultation and assessment undertaken and the resultant findings of the Definition Report, Modification Proposal P63 was submitted to the Assessment Procedure.

The Definition Report also suggested that as part of the Assessment Procedure, an interim report be presented to the Panel. As a result, an interim report was produced and considered by the Panel at its meeting on 16 May 2002. At the same meeting the Panel agreed to a request made by the Modification Group to extend the Assessment Procedure by three months. The Assessment Report was presented to the Panel at its meeting of 12 September 2002. At that meeting the Panel agreed with the Modification Group's recommendation that the Modification Proposal be made and that it proceed to the Report Phase.

## The Modification Proposal

Section J of the BSC deals with Party Agents including the mechanisms for their appointment and replacement. It states that the replacement of a Party Agent shall be undertaken in accordance with the relevant BSC Procedures relating to that Party Agent. The Proposer claims that the current systems and processes are insufficient to enable Changes of Party Agent for a large number of Metering Systems to be progressed in a timely manner. This, it is claimed, is because the processes defined within the relevant Code Subsidiary Documents deal with each Change of Party Agent in isolation from any other.

Modification Proposal P63 seeks to introduce a new process into the BSC for dealing with the Change of Agent process where the requirements for large volumes of Party Agent Changes occur. It allows for the Panel to set a threshold level above which a Party wishing to transfer

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<sup>3</sup> The Applicable BSC Objectives, as contained in Condition C3 (3) of National Grid Company's Transmission Licence, are:

- a) the efficient discharge by the licensee of the obligations imposed upon it by this licence;
- b) the efficient, economic and co-ordinated operation by the licensee of the licensee's transmission system;
- 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;
- d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements
- e) the undertaking of work by BSCCo (as defined in the BSC) which is:
  - (i) necessary for the timely and effective implementation of the proposed British Electricity Trading and Transmission Arrangements (BETTA); and
  - (ii) relevant to the proposed GB wide balancing and settlement code; and does not prevent BSCCo performing its other functions under the BSC in accordance with its objectives.

Party Agent appointments will need to go through an application process identified within BSC Procedure 513. The Panel will consider the details of the application and determine whether or not to approve the bulk Change of Agent activity. Additionally, the Modification Proposal places specific obligations on Parties with regards the nature and time span for retention of data in respect of Non Half Hourly Metering Systems for which they are acting as a Party.

ELEXON published a draft Modification Report on 20 September 2002, which invited respondents' views by 27 September 2002.

### **Respondents' views**

ELEXON received 11 responses to the consultation on Modification Proposal P63. Six responses (representing 31 Parties) expressed support for the proposed Modification. Three respondents (representing 14 Parties) expressed concern or were opposed to the implementation of the Modification Proposal. The remaining 2 respondents (representing 3 Parties) provided a no comment response.

The respondents' views are summarised in the Modification Report for Modification Proposal P63, which also includes the complete text of all respondents' replies.

### **Panel's recommendation**

The Panel met on 17 October 2002 and considered the Modification Proposal P63, the draft Modification Report, the views of the Modification Group and the consultation responses received.

The Panel recommended that the Authority should approve the Proposed Modification and that, if approved, the Proposed Modification should be implemented 20 days after such decision.

### **Ofgem's view**

Ofgem considers, having had regard to its statutory duties, that Modification Proposal P63 will better facilitate achievement of the Applicable BSC Objective C3 (3) (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 Authority considers that Suppliers should be able to undertake normal levels of Change of Agent activity using existing processes. However, the current obligations do not restrict the level of Agent Change activity and so a Supplier Meter Registration Service could fail to meet its processing requirements if the volume of requested Change of Agent flows exceeded its capabilities. Where a Supplier is planning to undertake an exceptional volume of Change of Agent activity, the Authority considers that the bulk Change of Agent process will deliver confidence in this activity and will allow suppliers to change Agents for large number of metering systems more quickly and in a controlled fashion. The Authority recognises that some market participants may also find it more cost effective and efficient to undertake a bulk Change of Agent than to drip feed Agent changes through normal daily processing. Effective Agent

competition will expose existing Agents to competitive pressure and is likely to have a beneficial effect on the cost and quality of Agent services available to Suppliers and customers.

In setting a threshold value the Panel is determining the level above which a Supplier will be required to undertake alternative processing arrangements to that normally undertaken for Change of Agent data flows. Restricting the number of Change of Agent flows has implications for the further development of Agent competition. The Panel has indicated that it will review the proposed threshold level as required. Should there be concerns about the level of the threshold or the nature of the application process a Party may introduce a further Modification Proposal to address its concerns.

The Authority notes that the agreement of the Supplier Meter Registration Agent and Party Agents is required before the bulk Change of Agent process can be undertaken. This restriction on a Supplier's Change of Agent activity does not currently exist. One respondent expressed concern about what would happen if such agreement could not be reached. The Authority notes that in such circumstances it is proposed that the Master Registration Agreement conciliation service could be used. The Authority considers that Modification Proposal P63 should not be used to unfairly restrict Agent competition.

The Authority considers that in case of Party Agent failure a Supplier would wish to provide their newly appointed Agent with sufficient information to allow them to perform their required functions. In the case of an Non Half Hourly Data Collector ("NHHDC"), the greater the amount of data that a Supplier is able to provide, then the greater the likelihood that the new NHHDC will be able to provide accurate data into settlement and that it will be able to resolve any outstanding data quality issues.

The initial legal drafting for Modification Proposal P63 suggested that Suppliers should maintain the last 2 valid meter reads and latest valid values for the Estimated Annual Consumption and Annualised Advance for all NHH Supplier Volume Allocation metered systems for which they were responsible. During the Modification Group meeting held on 3 September 2002 to discuss Modification Proposal P63 it was decided that the requirement should be amended to hold data for 48 months. Parties were invited to provide comments on the revised legal drafting for inclusion in the Modification Report sent to the Panel. Several responses included in the Modification Report expressed concern that the requirement on Suppliers to hold Metered Data for 48 months had been insufficiently debated and consulted upon by the industry.

Under Section W 1.2.5 of the BSC, a dispute can be raised up to 36 months after a Settlement Day. Section W 1.6.1 of the BSC requires each Supplier to be in a position to provide data to resolve disputes. Consequently, there is already a requirement for Suppliers to retain data for 36 months. In addition, there is a requirement on them to retain further data that may be required to resolve disputes. Whilst Ofgem considers that Modification Proposal P63 could have provided greater consultation and justification for a requirement on Suppliers to hold Metered Data for 48 months, we believe that it is reasonable given the existing requirements on Suppliers to retain data.

Therefore, Ofgem agrees with the Panel's recommendation that Modification Proposal P63 should be made and implemented. In accepting this Modification Proposal, the Authority is not

in any way intending to prejudice the outcome of any other Modification Proposals that are addressing related issues such as data retention periods, eg, Modification Proposals P103 and P107.

### **The Authority's decision**

The Authority has therefore decided to direct that the Proposed Modification P63, as set out in the Modification Report for Modification Proposal P63, should be made and implemented.

### **Direction under Condition C3 (5) (a) of NGC's Transmission Licence**

Having regard to the above, the Authority, in accordance with Condition C3 (5) (a) of the licence to transmit electricity granted to NGC under Section 6 of the Electricity Act 1989 as amended (the "Transmission Licence"), hereby directs NGC to modify the BSC as set out in the Modification Report.

The Implementation Date for Modification Proposal P63 is 20 Working Days after the date of this decision letter, that being the day on which the Authority decided to approve the Modification Report.

In accordance with Condition C3 (5) (b) of NGC's Transmission Licence, NGC shall modify the BSC in accordance with this direction of the Authority.

If you have any questions, please contact me on the above number.

Yours sincerely,



**Iain Osborne**

**Director of Supply**

Signed on behalf of the Authority and authorised for that purpose by the Authority