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Draft MODIFICATION REPORT
MODIFICATION PROPOSAL P63 –
Change Of Contract Management of
MPAN's For Data Collector, Data
Aggregator And Meter Operator

Prepared by ELEXON on behalf of the Balancing
and Settlement Code Panel

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a Authorities

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Each BSC Panel Member	Various
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c References

Ref.	Document Name	Author	Version	Date
1	Modification Proposal P63 - Change Of Contract Management of MPAN's For Data Collector, Data Aggregator And Meter Operator	British Gas	-	6 January 2002
2	Initial Written Assessment for P63	ELEXON	1.0	11 January 2002
3	P63 Definition Consultation	ELEXON	1.0	20 February 2002
4	Definition Report for P63	VAMG	1.0	5 March 2002
5	P63 Interim Report to BSC Panel (44/009)	ELEXON	-	10 May 2002
6	P63 Assessment Report	VAMG	1.0	
7	P63: New BSCP513 'Bulk Change Of NHH Party Agent' and Impact on other Code Subsidiary Documents (SVG/20/250)	ELEXON		3 September 2002
8	Responses to Modification Circular MC00011	ELEXON	-	

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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment Phase, and the resultant findings of this report, the Balancing and Settlement Code Panel ('the Panel') recommends that:

Proposed Modification P63 should be made with an Implementation Date of 20 Working Days after the Authority decision.

1.2 Background

Modification Proposal P63 (Reference 1) 'Change Of Contract Management of MPAN's For Data Collector, Data Aggregator And Meter Operator' (P63) seeks to amend the Code to provide support to Parties (referring to 'Suppliers' unless otherwise stated) who wish to undertake changes to non-half hourly Party Agent (ie. Meter Operator Agent, Data Collector, Data Aggregator) appointments in respect of large numbers of Metering Systems in a more efficient and timely manner than that currently adopted by the industry.

P63 suggests that under the present arrangements, if a Party wished to change, say 2 million Party Agent appointments, the elapsed time to submit the requests for the transfer of Party Agent appointments would be in excess of six months¹. P63 further suggests that this restricts Parties' ability to choose more efficient and cost effective providers of Party Agent services and thereby restricts competition in the Supply of electricity.

P63 therefore, sought to introduce an alternative method that would facilitate a change of Party Agent in respect of such large numbers of Metering Systems (referred to as 'bulk change of agent' or 'bulk CoA') in a more efficient manner without the need for such a drawn out process.

1.3 Rationale for Recommendations

The Panel agreed with the Volume Allocation Modification Group (VAMG) that implementation of Proposed Modification P63, will allow Parties to transfer Party Agent appointments in respect of large numbers of Metering Systems, from one Party Agent to another in a more efficient and cost effective manner. The Panel agreed that ensuring that Parties, Party Agents and Supplier Meter Registration Agents (SMRAs) have plans and resources in place, will allow more cost effective commercial arrangements to be established that do not pose such a risk to the quality of data entering Settlement. This process will in turn allow greater competition in the Supply of electricity. The Panel believed that it was appropriate to mitigate against the risk of Party Agent failure by introducing an obligation for Parties to retain sufficient information to enable them to invoke a Change of Party Agent in the case of Party Agent failure.

The Panel therefore concluded that P63 would better facilitate the achievement of the Applicable BSC Objective set out in paragraph 3 of Condition C3 of the Transmission Licence as follows:

¹ Based on a perceived industry limit of 20,000 Change of Agent dataflows being submitted by all Parties in each Working Day and assumes that the Party concerned is able to submit this volume of Party Agent Appointments.

'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'

[This section will be completed following the Panel meeting on 17 October 2002]

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC website, at www.elexon.co.uk.

3 HISTORY OF PROPOSED MODIFICATION

P63 was raised by British Gas Trading on 6 January 2002.

An Initial Written Assessment (IWA) was prepared and presented to the Panel at its meeting on 17 January 2002, whereby the Panel determined that further definition of the issues identified was required. The Panel therefore submitted P63 to the Definition Procedure² and determined that the Definition Procedure should be undertaken by the VAMG and that a Definition Report should be prepared and submitted to the Panel meeting of 14 March 2002 outlining the issues raised by the Modification Proposal.

During the Definition Procedure, the VAMG met twice, on 24 January 2002 and 5 March 2002, to discuss Modification Proposal P63. In line with the Panel's desire to make the Modification Group encompass and understand the interests of those parties affected by P63, representatives from Party Agents, the MRA Service Company and Distribution Businesses were invited to attend all VAMG meetings. A consultation document (Reference 3) was produced by the VAMG. The aim of the consultation was to elicit views on the issues identified by both the IWA as well as the meetings of the VAMG.

The Definition Procedure consultation was issued on 20 February 2002 with responses due back by close of business on 27 February 2002. The responses from the consultation are presented in ANNEX 1 of the Definition Report (Reference 4) with a summary also included within Section 7.1 of that report.

At their second meeting during the Definition Procedure, the VAMG met to review and discuss the P63 Definition Consultation responses and to finalise the Definition Report for P63.

On the basis of the analysis, consultation and assessment undertaken in respect of this P63 during the Definition Procedure, and the resultant findings of the Definition Report (Reference 4), the VAMG recommended that the Panel should submit P63 to the Assessment Procedure. The recommendation within the Definition Report (Reference 4) suggested that an Assessment

² Pursuant to Section F2.5 of the Balancing and Settlement Code.

Report be submitted to the Panel meeting of 13 June 2002 with an interim report presented to the Panel meeting on 16 May 2002. The purpose of the interim report (Reference 5) was to highlight the progress made to date in assessing P63. Recognising that the assessment of P63 may require the development of the detailed processes underlying P63, the interim report would be used as the vehicle to request any extension to the Assessment Procedure.

During the course of the Assessment Procedure for P63, the VAMG met eight times, issued three consultation documents and three impact assessments. The timings of these events and primary purpose of each and decisions of each meeting / consultation / impact assessment is shown in the table below. Each key event is described in more detail within the Assessment Report for P63 (Reference 6).

Date	Purpose of meeting / Main Discussion Points / Matters arising
26 March 2002	<u>VAMG Meeting</u> Explanation of revised Panel Terms of Reference (Annex 1); Narrow down solution options from Definition Procedure; Understand constraints within existing systems and processes.
28 March 2002	<u>Issue P63 Assessment Consultation 1</u> Identify constraints within existing system – responses due 10 April 2002.
16 April 2002	<u>VAMG Meeting</u> Assess results of P63 Consultation 1- Agreed that based on consultation responses, significant constraints existed within systems and processes.
2 May 2002	Reviewed High Level Requirements Specification for P63 (Reference 11).
16 May 2002	<u>Panel Meeting: Interim Report</u> Request for extension of Assessment Procedure Timetable, Paper Number: 44/009 – Request granted.
20 May 2002	<u>Issue P63 Assessment Consultation 2</u> Responses due 31 May 2002. Consultation included High Level Requirements Specification for P63.
5 June 2002	<u>VAMG Meeting</u> Review results of Consultation on High Level Requirements Specification for P63 (Reference 11).
12 June 2002	<u>Change Proposal Circular (CPC) CPC190</u> Issued and requested information relating to whether Parties would use a bulk CoA process were it to be included within the Code
9 July 2002	<u>VAMG Meeting</u> Discussion of Detailed Level Processes developed by ELEXON (Reference 10). Conclusion that much of the processing described within the detailed processes could already be undertaken if suitable commercial arrangements were put in place.
22 July 2002	<u>VAMG Meeting</u> Discussion on principles for any Code changes. Discussion on principles for any MRA changes. (Both documents included within P63 Assessment Consultation 3)
30 July 2002	<u>Issue P63 Assessment Consultation 3</u>
30 July 2002	<u>MC00007</u> DLIA request issued to establish impact and lead timescales as well as comments on MRA principles.
14 August 2002	<u>VAMG Meeting</u>

Date	Purpose of meeting / Main Discussion Points / Matters arising
	Review P63 Consultation 3 responses. Confirmation of the P63 recommendations.
3 September 2002	<u>VAMG Meeting</u> Approve draft Assessment Report, confirm legal text is appropriate and review MRA CP111
4 September 2002	<u>Modification Circular MC00011. Impact Assessment of affected Balancing and Settlement Code Procedures.</u>
12 September 2002	<u>Panel Meeting</u> Presentation of P63 Assessment Report to Panel.

Key Events During P63 Assessment Procedure

4 DESCRIPTION OF PROPOSED MODIFICATION

This Section of the Modification Report describes the extent of the changes to be introduced by P63 from both the perspective of the changes required to the Code to accommodate P63 and from a plain English description of the processes and obligations introduced by P63.

The process by which Party Agent appointments are made in relation to Non-Half Hourly (NHH) Supplier Volume Allocation (SVA) Metering Systems are currently described within Section J4 of the Code and in the relevant Code Subsidiary Documents. P63 was raised to ensure that a bulk CoA could be undertaken in a more efficient manner than currently available. The VAMG discussed several solutions to address the defect identified by the Modification Proposal. Following these discussions the VAMG concluded that extensive changes to the Code, Code Subsidiary Documents or the process undertaken by Parties would not be necessary to facilitate such a change. This is because the VAMG believed that the information transfer elements of P63 could be achieved under the existing provisions within the Code and Code Subsidiary Documents with the addition of a contractual arrangement between the relevant Party, Party Agents and SMRAs. The VAMG were however concerned that were the process of transferring significant numbers of Party Agent appointments to be initiated by a Supplier, this could introduce a risk to Settlement if careful consideration were not given to how this should be undertaken. The VAMG believed that if initiated without careful planning and agreement there could be a disruption to the normal daily processing (such as Change of Supplier dataflows) undertaken by Party Agents and SMRAs.

The Proposed Modification therefore, seeks to reduce the risk to Settlement of a bulk CoA process being undertaken in an unplanned manner by the introduction of a new application process (ie if the process were not rigorously planned then there is a risk that the quality of data entering Settlement would deteriorate). This application process would apply to all transfers of Party Agent appointments above a certain threshold (defined in numbers of affected Metering Systems and revised from time to time, by the Panel). The application process will be undertaken in accordance with BSCP513 (Reference 7).

The Proposed Modification has the following key features:

- The Panel shall from time to time set a threshold level, either in aggregate or in any SMRS, above which, a Party wishing to transfer Party Agent appointments will need to go through the application process identified within BSCP513. This threshold will be published on the BSC Website.
- The initiating Party shall prior to undertaking the bulk CoA submit to the Panel, an application to undertake a bulk CoA. The application will include:

- A proposed timetable and methodology for undertaking the bulk CoA;
 - Confirmation from the Party Agents and each affected SMRA as to their abilities to undertake the bulk CoA without adversely affecting their normal processes³; and
 - Further details as may be requested by the Panel.
- The Party shall discuss with the Panel, the contents of the application, methodology and timetable to be adopted when the Party wishes to undertake the bulk CoA process;
 - The Panel shall consider the application and accompanying data, together with any other information requested by Panel and determine whether or not to approve the application;
 - If the Panel approves such application and the Party decides to proceed with the bulk CoA, BSCCo shall place a statement on the BSC Website to indicate that such a bulk CoA is to be carried out; and
 - Following completion of the bulk CoA, the Supplier shall notify the Panel (This includes identification of any issues and actions to resolve such issues).

The VAMG concluded that it was not appropriate to develop an Alternative Modification that dealt solely with the failure of a Party Agent. Instead the VAMG concluded that the Proposed Modification could be enhanced to mitigate against some of the risk to Settlement of the failure of a Party Agent. This was verified by ELEXON's legal advisors and it was confirmed that the intent of the Modification Proposal was not changed by this approach.

This part of the Proposed Modification sought to place additional obligations on all Parties to hold the following data in respect of each NHH Metering System for which they are acting as a Party:

- The Meter Technical Details (applies to Half Hourly and Non Half Hourly Metering Systems);
- The latest two valid meter readings together with the associated EAC/AAs (Applies to NHH Metering Systems only).

In the event that a Party wishes to replace a failing Party Agent, then they would have sufficient details which could be passed to any replacement Party Agent to enable that Party Agent to undertake their obligations under the relevant Code Subsidiary Documents. It should be noted that no additional processes to cater for Party Agent failure have been added to the relevant Code Subsidiary Documents.

During the discussions on P63 by the VAMG, it was envisaged that the Performance Assurance Board would undertake the necessary setting of the thresholds and adjudication in respect of the applications to undertake a bulk CoA. At the discussions of the Panel on 12 September 2002 (see section 5) it was agreed that the legal text would be amended to reference the Panel rather than the Performance Assurance Board. This power may then be delegated to the Performance Assurance Board by the Panel at the discretion of the Panel.

³ Therefore Party Agents and SMRAs cannot be forced to use this process.

5 RATIONALE FOR PANEL RECOMMENDATIONS AND SUMMARY OF PANEL DISCUSSION IN RESPECT TO P63

At their meeting on 12 September 2002, the Panel discussed the contents of the Assessment Report in respect to P63. The Panel expressed support for the aims of P63. One Panel member observed that the legal text for P63, indicated that the Performance Assurance Board would set the threshold level to be used when determining whether the bulk CoA application process needed to be invoked. The same Panel member noted that it was important to align the detail contained within the BSCPs to that of the Code and that responsibility for establishing the threshold levels and approving the applications for bulk CoA should lie with the Panel. Such powers could be delegated to the Performance Assurance Board at the Panel's discretion. ELEXON agreed to make such alterations to reflect this.

A Panel member asked how the thresholds would be set following any Authority Determination in favour of P63. The ELEXON representative confirmed that a paper would be written to the Panel suggesting the way forward based on the views of the VAMG.

Another Panel member observed the difference between the Implementation Date specified within the P63 Assessment Report (20 Working Days after the Authority Decision) and the majority of responses to the consultation and impact assessments favouring a Quarter 2, 2003 Implementation Date. The ELEXON representative at the meeting indicated that, in the view of the VAMG, it was important to protect Settlement by the introduction of the bulk CoA application process, at the earliest opportunity.

The ELEXON representative informed the Panel that the VAMG considered the preferred Implementation Date by the majority of respondents to the P63 Assessment Consultation. The VAMG concluded that the preferred Implementation Date was chosen by Parties to enable them to have a comprehensive development of systems and processes to deliver the requisite data to new Party Agents as a result of Party Agent failure. The VAMG believed that Parties would be able to meet the 20 Working Day Implementation Date because the obligation in the Code was to retain the information that Parties are already provided with. This obligation meant that the Parties needed to retain the information such that it could be retrieved and not necessarily have developed a comprehensive system solution to its retrieval. The Panel asked that this point be made within the draft Modification Report such that Parties who felt it appropriate to comment on the Implementation Date for P63 could do so.

In order to further protect Settlement, changes are also undergoing the MRA Change process to ensure that SMRAs process the bulk Change of Agent without adversely affecting their normal daily operations.

The Panel agreed with the VAMG that implementation of Proposed Modification P63, as described by the legal drafting contained in Attachment 1, will allow Party's to transfer Party Agent appointments in respect of large numbers of Metering Systems, from one Party Agent to another in a more efficient and cost effective manner. The Panel unanimously supported that Parties should be able to transfer large numbers of Party Agent appointments, in respect of Metering Systems, from one Party Agent to another. The Panel agreed that ensuring that Parties, Party Agents and SMRAs have plans and resources in place, will allow more cost effective commercial arrangements to be established that do not pose such a risk to the quality of data entering Settlement. This process will in turn allow greater competition in the Supply of electricity. The Panel believed that it was appropriate to mitigate against the risk of Party

Agent failure by introducing an obligation for Parties to retain sufficient information to enable them to invoke a Change of Party Agent in the case of Party Agent failure.

6 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

6.1 Conformed Version

The legal text to give effect to the Proposed Modification, P63 is provided within Attachment 1.

7 SUMMARY OF REPRESENTATIONS

[A summary of the representations made in respect of the draft Modification Report on P63 will be presented within this section of the report. A copy of all responses provided to the draft Modification Report can be found in Annex 1.]

A summary and copies of the original representations received and considered by the VAMG under the initial consultations on this proposal can be found in the Assessment Report for P63. This Modification Report should be read in conjunction with that Assessment Report.

ANNEX 1 – REPRESENTATIONS

[Copies of representations on Draft Modification Report will be inserted here]