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MODIFICATION REPORT
MODIFICATION PROPOSAL P66 –
ECVNAs and MVRNAs to Receive
ECVAA Forward Contract Report

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

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The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
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c Related Documents

Reference	Document
Reference 1	Assessment Report for Modification Proposal P66 'ECVNAs and MVRNAs to Receive ECVAAs Forward Contract Report' (MAR066 V2.0 17 April 2002)

d Intellectual Property Rights and Copyright

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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 BSC Panel recommends that:

1. **The Proposed Modification P66, as set out in section 4 of this Modification Report, should not be made;**
2. **Were the Proposed Modification P66, as set out in section 4 of this Modification Report, to be made:**
 - **The Implementation Date should be 10 December 2002, where an Authority decision is received no later than 10 September 2002, and 25 February 2003, where an Authority decision is received no later than 10 November 2002; and**
 - **The initial charge (per notification agent, per annum) should be set at £20,600¹, but subject to Panel review at the time of implementation.**

1.2 Background

Modification Proposal P66 'ECVNAs and MVRNAs to Receive Forward Contract Report' was raised on 18 January 2002 by TXU UK Ltd. The Modification Proposal seeks to implement a version of the Forward Contract Report (ECVAA-I022 / E0221) specifically for Notification Agents (ECVNAs and MVRNAs). The Proposal follows on from Modification Proposal P17 'ECVNAs to receive 7-Day Report', which was rejected by the Authority on the grounds of inappropriate cost allocation. Therefore Modification Proposal P66 also seeks to address the issue of cost recovery and associated allocation.

The Panel, at their meeting of 14 February 2002, considered the Initial Written Assessment of Modification Proposal P66 and agreed that Modification Proposal P66 be submitted to the Assessment Procedure, with the Assessment Report due for consideration at the Panel meeting of 18 April 2002. The Panel also agreed that the Assessment Procedure should be undertaken by the Contract Notification Modification Group (CNMG) as the CNMG had been responsible for the original assessment of Modification Proposal P17.

The Contract Notification Modification Group (CNMG) met twice (19 February 2002 and 19 March 2002). Two consultations and one impact assessment were issued (responses to these are summarised in Section 12 and provided in full in Annex 2 of the Assessment Report (Reference 1)). The responses from both consultations (particularly the second), indicate that there is no requirement for the new notification agent Forward Contract Report. On this basis, the CNMG agreed that their recommendation with regards to Proposed Modification P66 would be that it should not be made.

The Assessment Report for Modification Proposal P66 (Reference 1) was considered at the Panel meeting of 18 April 2002 and the Panel supported the recommendations of the CNMG made therein, and agreed to submit Modification Proposal P66 to the Report Phase, with a provisional recommendation from the Panel to the Authority that the Proposed Modification should not be made.

¹ Based on the assumptions laid out in the Assessment Report for Modification Proposal P66 (Reference 1) that all development and implementation costs are recovered (including those incurred under Modification Proposal P17) over three years, with operational costs recovered annually, and the resultant costs spread over five notification agents.

As a consequence of this recommendation, the view of the Authority was sought as to whether legal drafting was required for the Proposed Modification and the Authority confirmed that they would not be requiring legal drafting for Modification Proposal P66.

The majority of consultation responses received in respect of the draft Modification Report for Modification Proposal P66 supported the recommendations of the Panel.

The Panel considered the draft Modification Report, and the consultation responses made in respect of such draft Modification Report, at its meeting of 16 May 2002. The Panel noted that the majority of responses to the consultation supported the provisional recommendations made by the Panel in respect of the Proposed Modification P66, namely that the Proposed Modification should not be made.

On this basis, the Panel agreed to re-confirm its provisional recommendation that the Proposed Modification should not be made. The Panel also re-confirmed its recommendations regarding the implementation aspects of the Proposed Modification, should the Proposed Modification be made.

1.3 Rationale for Recommendations

The Panel supported the recommendations and rationale of the CNMG with regards to Modification Proposal P66, namely that:

- The CNMG acknowledges that the majority of BSC Parties support the principle of the Modification and believe that it better facilitates the Applicable BSC Objectives. However, the CNMG also recognise that it is not cost beneficial to proceed with the development and implementation of a Modification which is not likely to be taken up, and therefore for which costs are not likely to be recovered; and
- The CNMG also noted that the lack of take up / requirement is not attributable to the associated charge for receipt of the report, but is mainly a factor of internal notification agent development costs for receipt of the report considered in conjunction with the fact that the majority (all but one) of current notification agents are also BSC Parties and therefore receive the BSC Party variant of the Forward Contract Report.

On this basis, the Panel agreed to support the recommendation of the CNMG that the Proposed Modification should not be made.

It should be noted that section 1.3 and section 3.2 of the Assessment Report for Modification Proposal P66 (Reference 1) provide the detailed rationale supporting the recommendations of the CNMG.

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

Modification Proposal P66 'ECVNAs and MVRNAs to Receive Forward Contract Report' was raised on 18 January 2002 by TXU UK Ltd. The Modification Proposal seeks to implement a version of the Forward Contract Report (ECVAA-I022 / E0221) specifically for Notification Agents (ECVNAs and MVRNAs). The Proposal follows on from Modification Proposal P17 'ECVNAs to receive 7-Day Report', which was rejected by the Authority on the grounds of inappropriate cost allocation. Therefore Modification Proposal P66 also seeks to address the issue of cost recovery and associated allocation.

The Panel, at their meeting of 14 February 2002, considered the Initial Written Assessment of Modification Proposal P66 and agreed that Modification Proposal P66 be submitted to the Assessment Procedure, with the Assessment Report due for consideration at the Panel meeting of 18 April 2002. The Panel also agreed that the Assessment Procedure should be undertaken by the Contract Notification Modification Group (CNMG), as the CNMG had previously been responsible for the assessment of Modification Proposal P17.

The CNMG met on 19 February 2002 and 19 March 2002, to review Modification Proposal P17 and the Authority Decision letter (on the BSC Website:

www.elexon.co.uk/ta/modifications/modsprops/hP017/P17_Ofgem_Decision.pdf) and investigate the principle of cost allocation for Modification Proposal P66.

At their meeting of 19 February 2002, the CNMG agreed the consultation document and the associated questionnaire, and subsequently the consultation was issued to BSC Parties and all notification agents on 22 February 2002, (responses due 8 March 2002).

An Impact Assessment was undertaken concurrently, requesting an assessment of the impacts associated with the development and implementation of Modification Proposal P66 from BSC Parties, notification agents, the BSC Central Service Agent and ELEXON.

The responses to the first consultation and the impact assessments were provided to the CNMG for discussion at their meeting of 19 March 2002. The impact assessments enabled the CNMG to determine more accurately the costs for allocation under Modification Proposal P66. Therefore at their meeting of 19 March 2002 the CNMG defined the relevant cost recovery mechanism and determined the costs to be recovered. At the same meeting, the CNMG agreed that a further, second consultation would be required, providing the relevant costs, in order to determine the likely take up of the notification agent Forward Contract Report and to request reaffirmation of the previous consultation responses from BSC Parties.

Therefore a consultation document was provided to notification agents on 5 April 2002, with responses due back on 15 April 2002. The responses from the second assessment consultation for Modification Proposal P66 indicate that there is no requirement for the new notification agent Forward Contract Report. As there had been no response to (either) consultation from exchanges / third party notifiers, three exchanges were canvassed, at the request of the CNMG, to determine whether they had a requirement for the report. Only two responded, and both confirmed that they had no requirement.

On this basis, the CNMG agreed (by e-mail and telephone), to amend the recommendations such that the recommendation with regards to Proposed Modification P66 would be that it should not be made.

The Assessment Report, containing the CNMG recommendations and supporting rationale, was considered by the Panel at their meeting of 18 April 2002. The Panel supported the recommendations of the CNMG and agreed that Modification Proposal P66 should be submitted to the Report Phase with a provisional recommendation to the Authority that Modification Proposal P66 should not be made.

The Panel also noted that implementation aspects of Modification Proposal P66 were required to be reflected in the draft Modification Report. Therefore the Panel agreed to support the recommendations of the CNMG with regard to the implementation aspects of the Proposed Modification, namely the Implementation Date and the setting of the initial charge. The Panel noted that the initial charge of £20,600 per notification agent, per annum, is based on the following assumptions (these assumptions are covered in more detail in section 1.3, 3.2 and 4.2 of the Assessment Report for Modification Proposal P66 (Reference 1)):

- Development and implementation costs of £272,000 (incorporating £200,000 incurred for development of Modification Proposal P17), to be recovered;
- Development and implementation cost recovery spread over three years;
- Operational costs of £12,000 p.a., recovered on an annual basis; and
- A take up of five notification agents.

The Panel agreed to endorse the recommendation of the CNMG that the initial charge be set to £20,600, based upon the above assumptions, in order to provide a guide to the Authority and BSC Parties / notification agents. However, the Panel noted that this charge level may require amendment at the time of implementation of Modification Proposal P66 subject to the number of notification agents taking up the service.

4 DESCRIPTION OF PROPOSED MODIFICATION

Modification Proposal P66 seeks to implement a 'Forward Contract Report' specific to Notification Agents (ECVNAs and MVRNAs). The key features of this report are as follows:

- It will contain confirmation of only those notifications sent by the recipient notification agent. This will be in a similar format to the BSC Party variant of the Forward Contract Report;
- It will be produced to the same service levels as the existing Forward Contract Report; and
- It will be 'kept in step' with any developments to the existing BSC Party Forward Contract Report (unless the development is not pertinent to the notification agent version).

It should be noted that the existing Forward Contract Report for BSC Parties is unaffected by the implementation of this notification agent variant of the report.

The notification agent Forward Contract Report will provide information on notified Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MVRNs) to notification agents who request it.

Where a notification agent wishes to receive a copy of the notification agent Forward Contract Report, then the notification agent will provide a request to ELEXON, via a call to the ELEXON Helpdesk.

On receipt and processing of this request, ELEXON will immediately invoice the notification agent to recover the charge associated with the provision of the report.

The charge is made for receipt of the report on an annual basis (i.e. the charge covers receipt for a year from the date of the request to the CRA to switch the report on for the notification agent). If the notification agent chooses to switch the report off part way through the year, the charge, or part thereof, will not be refunded. Towards the end of the year, ELEXON will invoice the following years charge to the notification agent, who will then have the opportunity to pay the invoice and thus 'sign up' for receipt for the following year.

Once ELEXON has recovered the charge from the notification agent (i.e. the notification agent has paid the invoice), ELEXON will provide the BSC Central Service Agent (the Central Registration Agent (CRA)) with a completed copy of Form BSCP41/01 'Changes to Individual Reporting Requirements' signed and Authorised by ELEXON and containing the details of the notification agent which is to receive the report.

On receipt and processing of this request, the BSC Central Service Agent will 'switch on' the notification agent Forward Contract Report for the relevant notification agent. The notification agent will then receive the Forward Contract Report to the same schedule as the existing report until either:

- The notification agent requests that ELEXON switch the report off (again via a call to the ELEXON Helpdesk); or
- The year that the previous charge was payable for expires and the notification agent has not paid the charge for the following year.

In both cases, ELEXON will submit a completed copy of the Form BSCP41/01 'Changes to Individual Reporting Requirements' signed and Authorised by ELEXON and containing the details of the notification agent and the request to switch the report off for that notification agent, to the Central Registration Agent, who will action the request.

It should be noted that the BSC Central Service Agent will continue to provide the report to the notification agent until a request to switch it off is received from ELEXON. A new request from ELEXON need only be submitted where there is a new notification agent wishing to receive the report, or where the report has previously been switched off for a notification agent who wishes to receive it again.

5 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

The Authority have confirmed that no legal drafting is required for Proposed Modification P66, therefore none is provided.

6 SUMMARY OF REPRESENTATIONS

Seven responses (on behalf of twenty-three Parties) were received in response to the consultation on the draft Modification Report for Modification Proposal P66.

In summary:

- Five responses (21 Parties) support the provisional recommendation that the Modification should not be made;
- One response (1 Party) supports the provisional recommendation that the Modification should not be made, but only as consequence of the cost recovery aspect of Modification Proposal P66. The responding Party support the Forward Contract Report being implemented and distributed, with the costs recovered from all Parties under the BSCCo Cost Recovery mechanism; and
- One response (1 party) made no comment.

The responses received contained no new, substantive arguments.

ANNEX 1 – REPRESENTATIONS

Responses from P66 Draft Modification Report Consultation

Consultation issued 24 April 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	LE Group	P66_MR_001	5
2.	Seeboard Energy	P66_MR_002	1
3.	Aquila Networks	P66_MR_003	1
4.	Scottish Power	P66_MR_004	6
5.	British Gas	P66_MR_005	3
6.	Scottish and Southern	P66_MR_006	4
7.	British Energy	P66_MR_007	3

P66_MR_001 – London Electricity

LE Group supports the decision of the Panel following the last consultation and meeting of the CNMG to recommend rejection of P66. As stated in our previous responses we believe that this would have enhanced the applicable objectives of the BSC. However if there are no willing recipients of the report it is right to reject the modification and prevent further costs being incurred.

Regards

Rachel Walker

LE Group

London Electricity, SWEB, Jade Power, Sutton Bridge Power and TXU Europe West Burton Ltd

P66_MR_002 – Seeboard Energy

Subject: P66 Report Comments

We do not agree with the recommendations made in above mentioned report.

We believe that this report should be provided for the general good of all participants and that the costs should lie BSC Parties according to the standard allocation process.

The Forward Contract Report is only used to confirm that contracts are have been notified successfully and correctly. When an error is found and corrected the main beneficiaries of the report are BSC Parties and not ECVNAs or MVRNAs. The Panels recommendation, if accepted by the Authority, will mean that money already spent will have been funded by BSC Parties who will get nothing in return. The annual running costs are tiny when compared with the potential benefit that could accrue from the correction of a single error. The fact that there are very few ECVNAs who require this report today is acknowledged but the recommendation can only discourage new entrants in the future.

Strictly speaking we do not support P66 as it is now framed because it places excessive costs on ECVNAs and MVRNAs. However we do support the arrangement proposed in P17: i.e. P66 with out a charge on ECVNAs.

Regards

Lucy Sanders (on behalf of Dave Morton)

P66_MR_003 – Aquila Networks

Please find that Aquila Networks response to P66 Consultation on Draft Modification Report is 'No Comment'.

regards

Rachael Gardener

Deregulation Control Group & Distribution Support Office, AQUILA NETWORKS

P66_MR_004 – Scottish Power

P66 Report Comments

With reference to the above, I would refer you to our previous comments on the proposal.

In this consultation, we note that no third party notification agents have come forward to indicate a willingness to pay for the provision of the Forward Contract Report. In the absence of this, and bearing in mind that cost recovery from non-BSC Parties was a key element for progressing this proposal, we would agree with the Panel's recommendation that P66 should be rejected.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours Sincerely,

Man Kwong Liu

Calanais Ltd.

For and on behalf of: - *Scottish Power UK Plc.; SP Manweb Plc.; ScottishPower Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.*

P66_MR_005 – British Gas

Modification Proposal 66: ECVNAs and MVRNAs to Receive the ECVA Forward Contract Report

Thank you for the opportunity of responding to this consultation. This response is on behalf of British Gas Trading Ltd, Centrica King's Lynn Ltd and Centrica Peterborough Ltd.

We support the Panel's view that this modification proposal should be rejected. There has been little interest expressed by notification agents in receiving this report, particularly at the costs quoted in the modification report.

It would therefore be inadvisable to go forward with implementation of this proposal as the development and implementation costs would not be recovered.

Some concern was expressed at the 18 April 2002 Panel meeting that considerable cost had been spent in development of this proposal for no result. We do not support this view. When the proposal was raised there was widespread support for the principle, it was only after development of the proposal that it was possible to fully clarify the cost and for Parties to indicate their real interest in the service.

We believe that unless a proposal is obviously spurious, it should be allowed to progress through the Modification Procedures. We believe that any suggestion to limit Modification Proposals to those which have been fully worked up and costed by the proposer before presentation is anti competitive and ultimately to the detrimental to the industry.

Yours faithfully

Danielle Lane

Transportation Analyst

P66_MR_006 – Scottish and Southern

P66 Report Comments

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

Further to your note of 24th April 2002, and the associated Modification Report for P66, we agree with the proposed BSC Panel recommendation to the Authority that this Modification Proposal P66 should not be made.

Were the Modification Proposal P66 to be made, we agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in Section 1.1 of the Modification Report.

Regards

Garth Graham

Scottish & Southern Energy plc

P66_MR_007 – British Energy

P66 Report Comments

We welcome the consideration of costs and demand undertaken as part of this assessment, and hope that future modifications will also take these matters into account.

We note that there is apparently no longer any demand for this modification and on that basis support the recommendation that it be rejected.

We are disappointed that the expensive work undertaken for implementation of P17 has effectively been wasted, and hope that the Panel and Elexon will consider demand, costs (including Elexon internal costs) and risks (including regulatory risk) more carefully in future.

This view is consistent with our previous comments, which remain valid, on previous consultations on P66.

Regards

Rachel Ace

On behalf of

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