

May 2002

**ASSESSMENT REPORT FOR
MODIFICATION PROPOSAL P68**

Modification to the BSC relating to the setting of
Caps for use in the Supplier Charges (Liquidated
Damages) Calculation

Prepared by the Volume Allocation Modification
Group on behalf of the Balancing and Settlement
Code Panel

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b Distribution

Name	Organisation
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BSC Parties	
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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendations

On the basis of the analysis and assessment undertaken in respect of this Modification Proposal during the Assessment Phase and the resultant findings of this report, the Modification Group recommends to the BSC Panel that:

- **Modification Proposal P68 should proceed to the Report Phase;**
- **that the Modification Report should contain a recommendation to the Authority that the proposed modification be made; and**
- **that, if approved, the Implementation Date should be the first day of the fourth calendar month after the calendar month in which the Authority approves the Modification Proposal.**

The proposed Implementation Date would mean that if, for example the Authority agreed to approve the Modification Proposal on any date between 1 July and 31 July inclusive, the Modification Proposal would be implemented on the 1 November. The proposed implementation date would only apply for the setting of Supplier Caps for the month on and from the Implementation Date and would not apply retrospectively.

1.2 Background

Modification Proposal P68 was raised by the BSC Panel on 14 February 2002 on the recommendation of BSCCo and seeks to amend the formula used in the calculation of the Supplier Monthly Cap, so as to prevent a negative Supplier Monthly Cap being calculated and so avoid any affected Supplier, that under performs, from being rewarded for its under-performance.

An Initial Written Assessment (IWA) was prepared by ELEXON and presented to the Panel meeting on 14 March 2002. The Panel agreed that the Modification Proposal should be submitted to the Assessment Procedure and that an Assessment Report should be presented to the Panel meeting to be held on 16 May 2002. The Modification Proposal was assessed by the Volume Allocation Modification Group (VAMG) that held three meetings on 26 March 2002, 16 April 2002 and 2 May 2002.

The VAMG considered the defect identified in the Modification Proposal and recommend a change to the BSC that would replace the use of Supplier Deemed Take in the calculation of the Supplier Monthly Cap by a new term called Supplier Cap Take. The VAMG initially considered three options. All the options involved the use of the Energy vales known as Active Import (AI), Active Export (AE) and Unmetered Supplies (UMS). The three options were: -

- Introducing a new quantity, based on AI + UMS, capped at '0'
- Introducing a new quantity, based on the absolute values of AI+AE+UMS
- Amending the definition of the existing quantity, Supplier Deemed Take (which is [(AI+UMS) – AE]).

It was recognised that Supplier Deemed Take is used in the core settlement calculation and by ELEXON for monitoring purposes. Any amendment to this defined term would impact the settlement calculations and this option was therefore discounted. The Modification Group felt that the use of AI + UMS would be the most appropriate values to use for consideration of setting each Suppliers Cap. These are import values that reflect the energy volumes that a Supplier has supplied within each GSP Group and thus reflect the overall impact a Supplier could have through under- performance.

The Modification Proposal thus seeks to introduce a new quantity, Supplier Cap Take, which is defined as the take at GSP Group level for a SVA Supplier during a Settlement Period, capped at '0'. The VAMG have not proposed any Alternative Modification.

The cost for the development of a report from the Supplier Volume Allocation Agent (SVAA) would be £21,153 and the ongoing cost of producing each monthly report would be £37.25 per month. The Modification Group assessed the costs against the materiality and found that, although the materiality was small the anomaly occurs almost monthly and leads to the allocation of funds in a manner that does not reflect the spirit of Supplier Charges, weakening the assurance technique. The largest difference in Supplier Caps highlighted by the analysis of the Modification options was found to be in the region of £3,000.

The VAMG carried out a consultation and impact assessment on the Modification Proposal. Six Consultation responses, representing 39 BSC Parties, were received in relation to this Modification: -

- Four respondents fully supported the Recommendations made within the Assessment Report;
- One respondent supported the principles of the Recommendation but preferred the option of using the absolute values of AI + AE + UMS;
- One respondent felt the costs did not justify the changes and suggested a more cost effective option be considered that does not require a new data item from SVAA.

Two of the respondents noted that there was no impact on their systems the remaining four made no comment on this aspect.

The VAMG agreed that implementation of the Modification Proposal would remove the situation whereby a negative Supplier Monthly Cap could result in an under-performing Supplier being rewarded for its under-performance. This would ensure that the Performance Levels and Supplier Charges described in Annex S-1 of the Code are applied as they were originally intended to be. The majority of the VAMG decided, therefore, that implementation of the Modification Proposal would better facilitate achievement of BSC Objective (c) as Supplier Charges are set at a level that reflects the costs imposed on other Suppliers through under performance by the errant Supplier. A Modification that seeks to recompense performing Suppliers for additional costs arising from the actions of non-performing suppliers, can only stimulate effective competition in supply. The VAMG agreed that the implementation of the Modification Proposal would better facilitate achievement of BSC Objective (d) as implementing this change will correct the BSC and the supporting systems to what they should have been.

1.3 Rationale for Recommendations

Implementation of Modification Proposal P68 in the way proposed by the VAMG would ensure that it would not be possible to calculate a negative Supplier Monthly Cap. It would remove the situation where a negative Supplier Monthly Cap results in a distortion of the Supplier Charges calculation and resultant re-distribution of funds in that an affected under-performing Supplier is rewarded for its under-performance.

The VAMG agreed that, by removing the possibility of negative Supplier Monthly Caps being calculated, the replacement of Supplier Deemed Take by Supplier Cap Take would prevent any negative Supplier Monthly Caps being encountered in the future. This would ensure that the Performance Levels and Supplier Charges described in Annex S-1 are applied as they were originally intended to be.

Supplier Cap Take uses only those Consumption Component Classes that refer to a Supplier's Active Import (AI) energy values, capped at '0'. This solution ensures that only a Supplier's Import values (those energy units that they have 'supplied') are used to calculate that Supplier's share of the GSP Group Take for any particular month. In the unlikely event that a Supplier Cap Take is negative the negative value would be set to '0' to avoid a negative Supplier Monthly Cap occurring.

Implementation of the Proposed Modification on the first day of the fourth calendar month after the calendar month in which the Authority approves the Modification Proposal, would ensure that all data used to calculate a Supplier take for that month has been calculated using the same consumption values, and is exclusive of any Active Export (AE) that may offset the value. The proposed implementation timescale would also allow the SVAA to implement the changes and produce the data within reasonable timescales and allow ELEXON time to make the amendment to the PARMS system to accept the new data item apply the Supplier Charges calculation using Supplier Cap Take.

The proposed implementation date would only apply for Supplier Charges calculated on and from the implementation date and would not apply retrospectively.

The majority of the VAMG agreed that Modification Proposal P68 would better achieve the Applicable BSC Objectives set out in paragraph 3 of Condition C3 of the Transmission Licence as follows:

- (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; and
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

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.

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

3 MODIFICATION GROUP DETAILS

This Assessment Report has been prepared by the Volume Allocation Modification Group (VAMG). The following members attended the Modification Group:

Justin Andrews	ELEXON (Chairman)
David Jones	ELEXON (Lead Analyst)
Rob Cullender	British Gas Trading (Member)
Andrew Latham	British Gas Trading (Member)
Paul Jones	Powergen (Member)
Neil Magill	Scottish Power (Member)
Bob Walker	Npower (Member)
Phil Russell	TXU Energi (Member)
Chris Pooley	St Clements (Member)
Katherine Bergin	Scottish & Southern (Member)
Tony Savka	United Utilities (Member)
Patrick Smart	Ofgem

4 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

4.1 The Proposed Modification

A copy of the Modification Proposal can be found at Annex 4 to this Report.

Modification Proposal P68 proposes to amend the way that Supplier Monthly Caps are calculated, so as to prevent the calculation of a negative supplier Monthly Cap, to replace the current set of rules with one that does not reward under-performance and penalise good performance.

4.2 Background

Where a Supplier fails to meet the agreed Performance Levels then Supplier Charges are levied on that Supplier. These charges are set to reflect the loss likely to be suffered by other Parties as a result of the failure.

The rules governing the calculation of the Supplier Charges are set out in Section S-1 of the BSC. The calculations are conducted on a monthly basis and are performed by Grid

Supply Point (GSP) Group, using the Performance Assurance Reporting & Monitoring System (PARMS).

The calculations include the computation of a financial cap for each Supplier's liabilities within a GSP Group (the Supplier's Monthly Cap). Where the calculated net liabilities for the Supplier in that GSP Group exceed this cap, then they are scaled according to a defined formula to ensure that they do not exceed this cap. This formula expresses the Supplier Charges as a multiple of the Supplier's Monthly Cap (see BSC, S1, 4.1.3).

The Supplier Monthly Cap is calculated on the basis of a Supplier's Supplier Deemed Take in the relevant GSP Group for the relevant month. However, Supplier Deemed Take can legitimately be a negative value, for example when a Supplier's Active Export (AE) is greater than the sum of its Active Import (AI) and Unmetered Supplies (UMS). This can occur when a Supplier has a large volume of energy sourced from exemptable generation.

Should a negative Supplier's Monthly Cap be determined then the calculated Supplier Charges arising from any non-performance will be negative, i.e. a payment to the Supplier, rather than a payment from the Supplier. This will in turn impact the overall funds available for redistribution to other Suppliers. Modification Proposal P68 seeks to address this anomaly.

The various caps for Supplier charges referred to in the BSC are shown in Annex 3.

The majority of the VAMG decided that implementation of the Modification Proposal would better facilitate achievement of BSC Objective (c) as Supplier Charges are set at a level that reflects the costs imposed on other Suppliers through under performance by the errant Supplier. A Modification that seeks to recompense performing Suppliers for additional costs arising from the actions of non-performing suppliers, can only stimulate effective competition in supply. The VAMG agreed that the implementation of the Modification Proposal would better facilitate achievement of BSC Objective (d) as implementing this change will correct the BSC and the supporting systems to what they should have been at the time of NETA Go-Live.

4.3 Assessment of P68 Against the Applicable BSC Objectives

The VAMG considered Modification Proposal P68 at its first meeting on 26 March 2002 and at a second meeting on 16 April 2002.

The Modification Group initially considered three options for replacing Supplier Deemed Take in the calculation of Supplier Monthly Caps for Supplier Charges. These were: -

- the use of Active Import (AI) and Unmetered Supplies (UMS);
- the Use of absolute values of AI, UMS and Active export (AE); or
- Amendment of the definition of Supplier Deemed Take.

The VAMG acknowledged that Supplier Deemed Take is a Code defined term and is used in the core settlement calculations and by ELEXON for monitoring purposes. It was agreed, therefore, only to consider the first two options.

At their second meeting, the VAMG decided that the use of AI & UMS, capped at '0' would be the best representation of a Suppliers energy supplied within any GSP Group. The value should be capped at '0' so as to ensure that in the unlikely event of a negative

consumption giving a negative take, the value would be set to '0'. A negative meter advance may arise either through an error on the part of the NHHDC, or as a deliberate action to compensate for a previous error. For example, if an extremely large EAC/AA has gone past Final Reconciliation, the NHHDC may generate a compensating negative EAC/AA. This is a technique known as 'gross volume correction'. If the negative AI arising from the negative EAC/AA is larger than all the positive AI for the Supplier, it will make the Supplier's overall AI value negative. This is more likely to happen if the Supplier has few metering systems in the GSP Group. The VAMG decided against using AE in the calculation of a Suppliers share of consumption in any GSP Group. The VAMG were interested only in what units had been supplied by Suppliers regardless of whether that energy was gained through forward contracting or as exemptable generation. Using AE, which relates to generation was not felt to have a role in Supplier Charges.

Further comparison between the effects of setting the Supplier Caps based on the aforementioned values and including AE was considered by the second meeting of the VAMG. An analysis is attached as Annex 2.

4.4 Alternative Modification

No Alternative Modification was considered by the Modification Group.

4.5 Materiality

The Panel asked the VAMG to consider the Materiality of the issue of negative Supplier Monthly Caps. The VAMG felt that, whilst the monetary adjustment could be argued to be of low value, it was nevertheless material. However, correcting the anomaly will result in monies being re-distributed in a manner which is in line with the principle of Supplier Charges reflecting the losses suffered by other Parties. Annex 2 includes an assessment of the Materiality of the issue.

5 IMPACT ON BSC AND BSCCO DOCUMENTATION

5.1 BSC

Modification Proposal P68 will require changes to Annex S-1 paragraph 3.8.2, Annex S-2 and Annex X-2 Table X-5 and Table X-6. Draft Legal text is attached as Annex 1 to this document.

5.2 Code Subsidiary Documents

There will be changes to BSCP 536 to replace the term 'Supplier Deemed Take' from 4.3.1 and 4.11.3 with the new term Supplier Cap Take (SCT).

6 IMPACT ON BSC SYSTEMS

6.1 Registration

No impact identified.

6.2 Contract Notification

No impact identified.

6.3 Credit Checking Systems

No impact identified.

6.4 Balancing Mechanism Activities

No impact identified.

6.5 Collection and Aggregation of Metered Data

No impact identified.

6.6 Supplier Volume Allocation

A new data item, the Supplier Cap Take will be required from the SVAA that will be used to calculate the Supplier GSP Caps. The cost for the development of a report from the Supplier Volume Allocation Agent (SVAA) would be £21,153 and the ongoing cost of producing each monthly report would be £37.25. The SVAA would be able to implement the changes within three months of the approval of the Modification.

6.7 Settlement

No impact identified.

6.8 Clearing, Invoicing and Payment

No impact identified.

6.9 Reporting

No impact identified.

7 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS

7.1 Grid Code

No impact identified

7.2 Master Connection and Use of System Agreement (MCUSA)

No impact identified

7.3 Supplemental Agreements

No impact identified

7.4 Ancillary Services Agreements (ASAs)

No impact identified

7.5 Master Registration Agreement (MRA)

No impact identified

7.6 Data Transfer Services Agreement (DTSA)

No impact identified

7.7 British Grid Systems Agreement (BGSA)

No impact identified

7.8 Use of Interconnector Agreement

No impact identified

7.9 Pooling and Settlement Agreement (PSA)

No impact identified

7.10 Settlement Agreement for Scotland (SAS)

No impact identified

7.11 Distribution Codes

No impact identified

7.12 Distribution Use of System Agreements (DUoSAs)

No impact identified

7.13 Distribution Connection Agreements

No impact identified

8 IMPACT ON ELEXON

ELEXON will have to manage and develop the changes to the PARMS system to accept and process the new data item for Supplier Charges.

ELEXON has a support budget for the PARMS system, work to undertake the change can be accommodated within these provisions. The times to make the changes should amount to approximately 10wds.

ELEXON will also manage and co-ordinate the changes required to the SVAA systems (see 6.6 above).

9 IMPACT ON PARTIES AND PARTY AGENTS

9.1 Parties

Parties will need to be aware of how the change will affect the size of their Caps. A small number of Suppliers have designed databases/spreadsheets to calculate their Supplier

Charges, they should be able to simply amend the way their Cap is calculated in accordance with the new rules.

9.2 Party Agents

There is no impact on Party Agents as Supplier Charges apply to Suppliers only.

10 LEGAL ISSUES

There are no legal issues associated with this Modification Proposal.

11 SUMMARY OF REPRESENTATIONS

This section summarises the responses to the consultation and impact assessment. Copies of the detailed responses are included in Annex 5 and can be found on the BSC website (www.elexon.co.uk).

Six Consultation responses were received in relation to this Modification: -

- Four respondents fully supported the Recommendations made within the Assessment Report;
- One respondent supported the principles of the Recommendation but preferred the option of using the absolute values of AI + AE + UMS;
- One respondent felt the costs did not justify the changes and suggested a more cost effective option be considered that does not require a new data item from SVAA.

Two respondents noted that there was no impact on their systems.

12 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

There was no comment received from the Transmission Company.

13 PROJECT BRIEF

The project brief is summarised in the tables below.

Task	Time required
Development & Testing new Report	3 months

Cost Item	Cost (£)
Creation of New Report by SVAA	£21,153
Ongoing Reporting Cost (per month)	£37.25

ANNEX 1 – PROPOSED TEXT TO MODIFY THE BSC

Annex S-1 'Performance Levels and Supplier Charges'

Change the formula for the calculation of Supplier Monthly Cap to read:

$$S-1 \ 3.8.2 \quad S_c = GSP_{mc} \times (SCT/GSP_{DT})$$

Where: -

SCT means the total quantity of energy attributable to that Supplier determined as the sum of **Supplier Cap Take** for that Supplier in the relevant GSP Group across all Settlement Periods in the relevant month;

Annex X-2 'Technical Glossary'

Add a new definition of Supplier Cap Take in Table 6
Table X-6

Expression	Acronym	Units	Definition
Supplier Cap Take	SCT	MWh	The take at GSP Group level for a SVA Supplier during a Settlement Period pursuant to paragraph 9.7 of Annex S-2

Table X-5

(y) $\sum N(AI)$ = summed over all Consumption Component Classes N that are associated with Active Import,

Annex S-2 'Supplier Volume Allocation rules'

9.7 Determination of Supplier Cap Take

9.7.1 The Supplier Cap Take (SCT) shall be determined by the SVAA according to the following formula:

$$SCT_{HZj} = \max(\sum H_{Zi} (\sum N(AI)CORC_{N(AI)}), 0)$$

ANNEX 2 – MATERIALITY & COMPARISON OF CAPS BETWEEN CAP PROPOSALS

BACKGROUND

Where a Supplier fails to meet the agreed Performance Levels then Supplier Charges are levied on that Supplier. These charges are set to reflect the loss likely to be suffered by other Parties as a result of the failure.

The rules governing the calculation of the Supplier Charges are set out in Section S-1 of the Balancing and Settlement Code. The calculations are conducted on a monthly basis and are performed by Grid Supply Point (GSP) Group, using the Performance Assurance Reporting & Monitoring System (PARMS).

The calculations include the computation of a financial cap for each Supplier's liabilities within a GSP Group (the Supplier's Monthly Cap). Where the calculated net liabilities for the Supplier in that GSP Group exceed this cap, then they are scaled according to a defined formula to ensure that they do not exceed this cap. This formula expresses the Supplier Charges as a multiple of the Supplier's Monthly Cap (see BSC, S1, 4.1.3). Should a negative Supplier's Monthly Cap be determined then the calculated Supplier Charges arising from any non-performance will be negative, i.e. a payment to the Supplier, rather than a payment from the Supplier. This will in turn impact the overall funds available for redistribution to other Suppliers. Modification Proposal P68 seeks to address this anomaly.

In deciding that Modification Proposal P68 should be submitted to the Assessment Procedure, the Panel directed that The Modification Group should investigate the materiality of the issue. This paper summarises the results of this analysis.

FREQUENCY OF OCCURRENCE

Negative Supplier's Monthly Caps, whilst rare, do occur. They happen when a Supplier Deemed Take in a GSP Group is negative, which in turn arises through processing a negative meter advance. Such advances only occur where previously processed data was too high and a correcting (negative) value is being applied. Negative values are more frequently encountered with smaller suppliers within a GSP Group given the greater propensity for corrected values to impact their net position.

Available data from NETA Go Live has been analysed. This encompasses the 10 month period April 2001 – January 2002, all 12 GSP Groups, and all active Suppliers. Of the 3,600 calculations of Supplier's Monthly Caps, 9 were negative. Incidents thus typically affect around one Supplier per GSP Group per month.

The largest Supplier for whom a negative cap has been calculated had less than 400 metering systems in the relevant GSP Group, and 3 of the 9 incidents impacted Suppliers with less than 10 metering systems in the relevant GSP Groups.

IMPACT ON LEVEL OF CHARGES

Of the 9 negative Supplier's Monthly Caps that have been calculated, these range from £1.35 to £ 878.98.

To ascertain the impact on the charges resulting from correcting the anomaly, it is necessary to undertake the PARMS calculation with the revised rules. The Modification Group is considering two options for the replacement of the Supplier Deemed Take. These are:

- Active Import (AI) + Unmetered Supplies (UMS)

- Active Import (AI) + Unmetered Supplies (UMS) + Active Export (AE)

Using these two options, the revised Supplier's Monthly Caps for one GSP Group (containing 36 Suppliers) for one month have been calculated. The particular month that was chosen was that that contains the largest negative value.

Attachment 1 shows the impact on all Suppliers and is complemented by a graph showing this data in graphical form. Dependent on the option adopted the current negative Supplier Monthly Cap of (-) £ 878.98 is revised to £2,259.40 (using AI + UMS) or £ 4,795.78 (using AI + UMS + AE).

The caps on most remaining Suppliers show a complementary reduction to match this increase. There are however a further 8 of the 36 Suppliers that experience differences arising from the revised calculation.

The caps reflect the maximum charges that a Supplier may (and frequently do) incur. On the basis of the historic data, the maximum adjustment to an individual Supplier in an individual GSP Group would be of the order of £3,000 to £5,500 dependent on the adopted option.

CONCLUSIONS

From the analysis outlined above it is concluded that the adoption of P68 is likely to result in:

- (1) One Supplier per month (currently negatively capped) receiving Supplier Charges that are up to £5,500 higher.
- (2) Several Suppliers experiencing lower magnitude adjustments (both positive and negative) in their Supplier Charges.
- (3) As a result of (1) and (2) most Suppliers receiving a compensatory decrease in their Supplier Charges.

Whilst the monetary adjustment could be argued to be of low value, it is nevertheless material. However, Correcting the anomaly will result in monies being re-distributed in a manner which is in line with the principle of Supplier Charges reflecting the losses suffered by other Parties.

Variation in Calculated Caps for a GSP Group

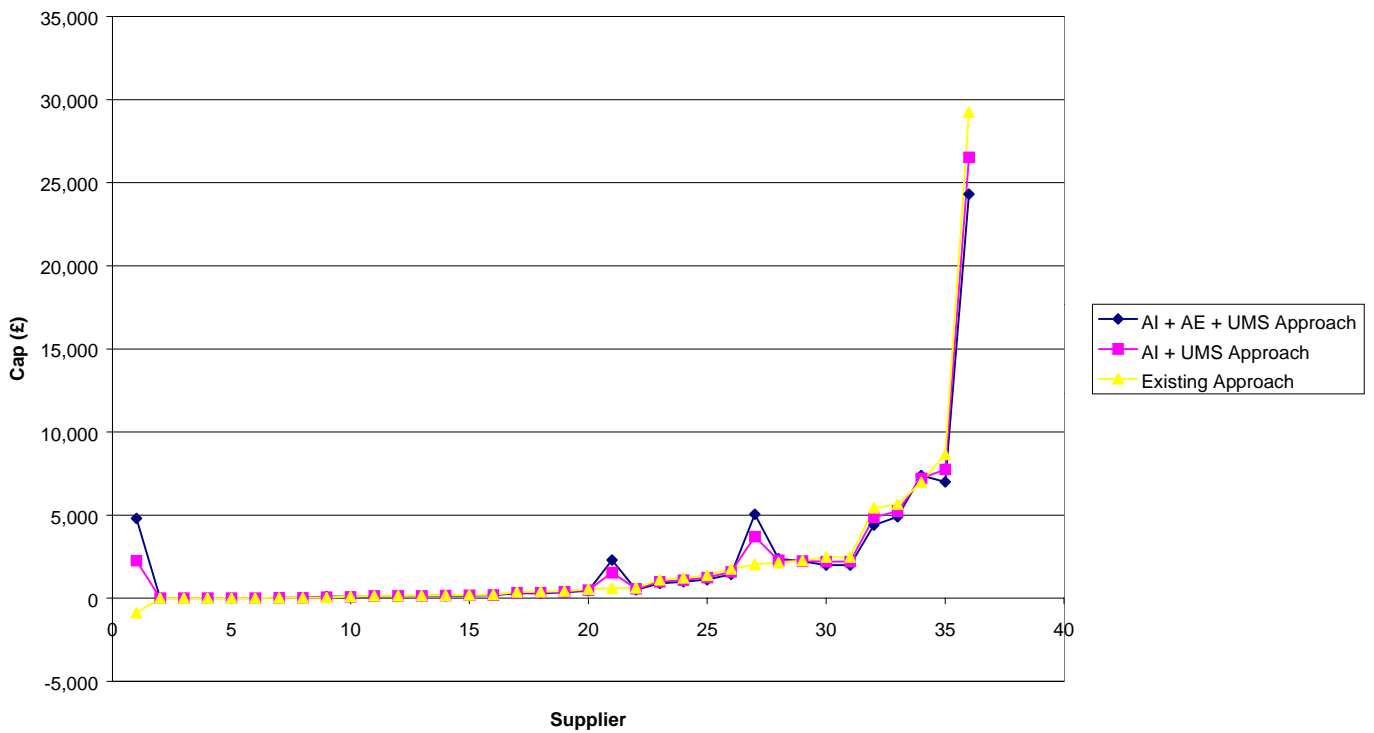
Current Cap £	Methodology				Supplier
	(AI+UMS) Cap		(AI+AE+UMS) Cap		
	£	% Diff	£	% Diff	
-878.98	2,259.40	357.05%	4,795.78	645.61%	1
0.06	0.05	-16.67%	0.05	-16.67%	2
0.37	0.34	-8.11%	0.30	-18.92%	3
0.64	0.57	-10.94%	0.52	-18.75%	4
7.17	6.41	-10.60%	5.79	-19.25%	5
11.75	10.50	-10.64%	9.50	-19.15%	6
21.19	18.94	-10.62%	17.13	-19.16%	7
24.60	21.99	-10.61%	19.88	-19.19%	8
40.78	67.71	66.04%	89.48	119.42%	9
90.14	80.58	-10.61%	72.85	-19.18%	10
142.27	127.18	-10.61%	114.98	-19.18%	11
145.83	130.36	-10.61%	117.86	-19.18%	12
164.04	146.64	-10.61%	132.57	-19.18%	13
174.17	155.70	-10.60%	140.76	-19.18%	14
191.86	171.51	-10.61%	155.06	-19.18%	15
211.99	189.50	-10.61%	171.33	-19.18%	16
361.59	323.23	-10.61%	292.23	-19.18%	17
373.76	334.11	-10.61%	302.07	-19.18%	18
426.92	381.63	-10.61%	345.03	-19.18%	19
543.80	487.70	-10.32%	442.35	-18.66%	20
594.58	1,538.49	158.75%	2,301.33	287.05%	21
630.88	563.96	-10.61%	509.87	-19.18%	22
1,105.80	988.49	-10.61%	893.68	-19.18%	23
1,218.68	1,089.40	-10.61%	984.92	-19.18%	24
1,377.76	1,231.60	-10.61%	1,113.48	-19.18%	25
1,761.55	1,574.68	-10.61%	1,423.66	-19.18%	26
2,037.07	3,709.28	82.09%	5,060.73	148.43%	27
2,150.12	2,270.72	5.61%	2,368.19	10.14%	28
2,252.94	2,232.71	-0.90%	2,216.36	-1.62%	29
2,462.80	2,201.55	-10.61%	1,990.40	-19.18%	30
2,464.29	2,202.87	-10.61%	1,991.59	-19.18%	31
5,442.78	4,865.40	-10.61%	4,398.76	-19.18%	32
5,653.11	5,235.86	-7.38%	4,898.65	-13.35%	33
6,978.85	7,203.38	3.22%	7,384.84	5.82%	34
8,652.30	7,739.98	-10.54%	7,002.66	-19.07%	35
29,251.53	26,526.59	-9.32%	24,324.34	-16.84%	36
76,088.99	76,089.01	0.00%	76,088.98	0.00%	Total

The above table presents the Supplier Charge Caps calculated using:

- the existing methodology,
- the AI + UMS option and
- the AI + AE + UMS option.

Percentage differences are shown relative to the existing methodology.

Comparison of Supplier Monthly Caps by Approach



ANNEX 3 - CAPPING OF SUPPLIER CHARGES

Annual National Cap

- Dictated by the BSC (currently c.£15 million)

Monthly National Cap

- Split uniformly across 12 months

Monthly GSP Group Cap

- Determined by a GSP Group's share of the total energy traded the previous year

Monthly Supplier Cap

- Determined by a Supplier's share of GSP take for that month

ANNEX 4– MODIFICATION PROPOSAL P68

Modification Proposal	MP No: 68 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Modification to the BSC relating to the setting of Supplier Caps for use in the Supplier Charges (Liquidated Damages) calculation	
Submission Date <i>(mandatory by proposer):</i> 14 February 2002	
<p>Description of Proposed Modification <i>(mandatory by proposer):</i></p> <p>The manner in which the Supplier Volume Allocation Agent (SVAA) calculates 'Deemed Take' under the Balancing and Settlement Code (BSC) can lead to a Supplier having a negative 'Deemed Take'. 'Deemed Take' is used for the purpose of setting Supplier Grid Supply Point (GSP) Group caps for calculating Supplier Charges (Liquidated Damages). A negative 'Deemed Take' leads to a negative GSP Group Cap that would, mathematically, reward a Supplier for under-performance. This is the direct opposite of the principle behind LDs. An appropriate measure of each Suppliers' energy take within each GSP Group needs to be determined to allow the Liquidated Damages calculations to run according to their purpose.</p> <p>The objective of the proposed Modification is to formulate an appropriate means of apportioning the GSP Group Cap across Suppliers in accordance with their size (i.e. apportion their total financial liability within each GSP group). Energy volumes for consideration fall into the three categories of Active Import (AI), Active Export (AE) and Unmetered Supplies (UMS).</p> <p>Three options have been raised for determining each Supplier's relative size and hence its portion of the GSP Group Cap liability. These are outlined below: -</p> <ul style="list-style-type: none"> a) Use of Active Import and Unmetered Supplies only. b) Use of absolute values of Active Import, Active Export and Unmetered Supplies. c) Calculate a Supplier's deemed take to reflect the results as achieved under the Pooling & Settlement Agreement (P&SA). 	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> manifest error in the way that Supplier GSP Group Caps are calculated.	
<p>Impact on Code <i>(optional by proposer):</i></p> <p>Removal and replacement of BSC defined term 'Supplier Deemed Take' from Annex S-1, 3.8.2 of the Code. Removal and replacement of the BSC defined term 'Supplier Deemed Take' from BSCP 536, 4.3.1 and 4.11.3</p>	
<p>Impact on Core Industry Documents <i>(optional by proposer):</i></p> <p>N/a</p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i></p> <p>Amendment will be required to PARMS system to incorporate changes. A new data item will be required from SVAA that can be used for setting Caps.</p>	

Modification Proposal	MP No: 68 <i>(mandatory by BSCCo)</i>
Impact on other Configurable Items <i>(optional by proposer):</i> N/a	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> To correct a manifest error in the BSC Annex S-1, 3.8.2	
Details of Proposer: Name: David Jones Organisation: ELEXON Telephone Number: 020 7380 4213 Email Address: david.jones@elexon.co.uk	
Details of Proposer's Representative: Name: Ben Haden Organisation: ELEXON Telephone Number: 020 7380 4157 Email Address: ben.haden@elexon.co.uk	
Details of Representative's Alternate: Name: Catherine Forrester Organisation: ELEXON Telephone Number: 020 7380 4154 Email Address: catherine.forrester@elexon.co.uk	
Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	

ANNEX 5 – INDUSTRY CONSULTATION AND HLIA RESPONSES

Responses from P68 Assessment Consultation

Consultation issued 24 April 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU Europe	P68_ASS_001	21
2.	LE Group	P68_ASS_002	4
3.	SEEBOARD Energy Limited	P68_ASS_003	1
4.	British Energy plc	P68_ASS_004	3
5.	ScottishPower UK Plc	P68_ASS_005	6
6.	Scottish & Southern Energy plc	P68_ASS_006	4
7.	British Gas Trading	P68_ASS_007	1

P68_ASS_001 – TXU Europe

Respondent:	Philip Russell	
Responding on Behalf of	21 TXU BSC Parties	
Role of Respondent	Supplier	
	Questions	
Q1	Please indicate whether you believe that implementation of P68 by replacing the use of Supplier Deemed Take in the calculation of supplier Charges by a new term called Supplier Take Cap would better facilitate achievement of Applicable BSC Objective C3 (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements?	
Yes	Yes	
No (if so, why)		
Q2	Are there any further comments on P68 that you would like to make?	
Please state your comments	No	

P68_ASS_002 – LE Group

Name: Paul Chesterman, reply dated 30 April 2002

Organisation: LE Group

Response provided on behalf of the following Parties:

London Electricity plc, SWEB Ltd, Jade Power Generation Ltd and Sutton Bridge Power Ltd.

Respondent:	Paul Chesterman	
Responding on Behalf of	London Electricity plc, SWEB Ltd, Jade Power Generation Ltd and Sutton Bridge Power Ltd.	
Role of Respondent	Many roles in the BSC: Supplier/Data Collector/Data Aggregator/ Meter Operator Agent/SMRA	
	Questions	
Q1	Please indicate whether you believe that implementation of P68 by replacing the use of Supplier Deemed Take in the calculation of supplier Charges by a new term called Supplier Take Cap would better facilitate achievement of Applicable BSC Objective C3 (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements?	

Yes	Yes, in that it corrects an identified manifest error in the rules for the calculation of Supplier Charges.
No (if so, why)	
Q2	Are there any further comments on P68 that you would like to make?
Please state your comments	I have not identified any impact on the systems of LE Group.

P68_ASS_003 – SEEBOARD Energy Limited

Name: Dave Morton

Organisation: SEEBOARD Energy Limited

Response provided on behalf of the following Parties: SEEBOARD Energy Limited

Respondent:	Dave Morton
Responding on Behalf of	SEEBOARD Energy Limited
Role of Respondent	Supplier
	Questions
Q1	Please indicate whether you believe that implementation of P68 by replacing the use of Supplier Deemed Take in the calculation of supplier Charges by a new term called Supplier Take Cap would better facilitate achievement of Applicable BSC Objective C3 (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements?
Yes	
No (if so, why)	See comments below.
Q2	Are there any further comments on P68 that you would like to make?

Please state your comments	<p>We are not convinced that this Modification will better meet BSC objectives. It would seem to boil down to a business case. On one hand it is obviously an improvement to remove a possibility of rewarding a poorly performing Supplier. However, costs associated with this solution could far exceed any benefit. The former is obvious but we have incomplete information on the latter to make any detailed consideration of this issue. An alternate lower cost solution (i.e. one that does not require an SVAA dataflow change) should be considered for this modification.</p> <p>In summary we would support the spirit of this change but suspect that costs will mean that applicable BSC objectives could not be satisfied.</p>
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P68_ASS_004 – British Energy plc

We believe that proposed modification as recommended by the Modification Group in the draft Modification Report does better meet BSC objectives, subject to implementation and operational costs being confirmed. However, we believe the alternative option considered by the Modification Group, to use absolute values of AI, UMS and AE, would better meet the BSC objectives, by incentivising avoidance errors in both import and export. We note that no rationale is given in the draft modification report for not using this approach. Furthermore, we see no reason why implementation should not be at the start of the first month after the Authority decision. This would still allow considerable time for corrective measures to be taken, in advance of a full software solution.

Rachel Ace
On behalf of
British Energy Generation
British Energy Power and Energy Trading
Eggborough Power Ltd

P68_ASS_005 – ScottishPower UK Plc

Name: Man Kwong Liu

Organisation: Calanais Ltd.

Response provided on behalf of the following Parties:

ScottishPower UK Plc.; SP Manweb Plc.; ScottishPower Energy Trading Ltd.; ScottishPower Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.

Role of Respondent	(Supplier/Data Collector/Data Aggregator/ Meter Operator Agent/SMRA/Other) BSC Parties	
	Questions	
Q1	Please indicate whether you believe that implementation of P68 by replacing the use of Supplier Deemed Take in the calculation of supplier Charges by a new term called Supplier Take Cap would better facilitate achievement of Applicable BSC Objective C3 (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements?	
Yes	YES	
No (if so, why)		
Q2	Are there any further comments on P68 that you would like to make?	
Please state your comments	<p>We support the proposal in replacing the Supplier Deemed Take, which can be a negative figure, with the proposed new Supplier Cap Take in the calculation of Supplier Charges (Liquidated Damages) as it will correct what is, according to the ELEXON impact assessment, a minor problem. However small the materiality of this is (as the assessment suggests), this problem awards under performing Suppliers rather than penalises them and it should be corrected for the sake of Suppliers who meet the performance targets.</p> <p>The method of calculating the Supplier Cap Take using Active Import (AI) and Unmetered Supply (UMS) data only, capped at '0', would be the best representation of what each Supplier has supplied in the month within a GSP Group. This is preferable to the other two options which were to use Active Export data in addition to AI and UMS or the change the Supplier Deemed Take calculation, which would have a market wide impact.</p>	

P68_ASS_006 – Scottish & Southern Energy plc

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

In relation to the Draft Assessment Report Consultation on Modification Proposal P68 contained in your note of 25th April 2002, our comments and answers to the two questions listed in Attachment 1 are as follows:-

1 We believe that that implementing P68 would better facilitate the achievement of the Applicable BSC Objective.

2 No

Regards

Garth Graham
Scottish & Southern Energy plc

P68_ASS_007 – British Gas Trading

Name: Andrew Latham

Organisation: British Gas, 3rd Floor North, 17 London Road, Staines, Middlesex. TW18 4AE

Response provided on behalf of the following Parties: British Gas

Respondent:	Andrew Latham	
Responding on Behalf of	Please list all Parties responding on behalf of (including the respondent company if relevant).	
Role of Respondent	Supplier	
	Questions	
Q1	Please indicate whether you believe that implementation of P68 by replacing the use of Supplier Deemed Take in the calculation of supplier Charges by a new term called Supplier Take Cap would better facilitate achievement of Applicable BSC Objective C3 (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements?	
Yes	Yes	
No (if so, why)		
Q2	Are there any further comments on P68 that you would like to make?	
Please state your comments	No	