

July 2002

**MODIFICATION REPORT -
MODIFICATION PROPOSAL P70
CMRS Metering for inter-DNO
Boundaries within a GSP Group**

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

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b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	energywatch
Core Industry Document Owners	Various

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d Related Documents

The following documents are referenced from within this document using the following convention [RD/x]:

- 1 Modification Proposal P70 - Requirements Specification – Version 1.0, 10 May 2002
- 2 Modification Proposal P70 – Assessment Report – Version 1.0, 07 June 2002
- 3 Modification Proposal P62 – Assessment Report – Version 1.0, 07 June 2002

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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 Procedure, and the resultant findings of this report, the BSC Panel recommends that:

The Modification Proposal P70 should be made with an Implementation Date of 10 December 2002, if an Authority decision is received by 01 September 2002, and an Implementation Date of 25 February 2003 if an Authority decision is received after 01 September 2002 and before 25 November 2002.

1.2 Background

Modification Proposal P70 'CMRS metering for inter-DNO boundaries within a GSP' was submitted on 1 March 2002 by SEEBOARD.

P70 is related to Modification Proposal P62, which proposes that multiple distributors may operate within each of the existing GSP Groups, and that each distributor is serviced by its own, single, Supplier Meter Registration Service (SMRS).

One feature of the BSC is that if a meter is installed between two Distribution Systems, within the same GSP Group, then that meter cannot be registered in the Central Meter Registration Service (CMRS) or the data to be collected using the Central Data Collection Agent (CDCA).

Such a meter is not required for settlement purposes and was explicitly excluded from the scope of P62 in the original Modification Proposal. However, it was also recognised that if such a meter was installed, there would be advantages (e.g. quality of data used in the calculation of Line Loss Factors (LLF) and Distribution Use of System (DUoS) charges) if it could be registered in CMRS. As a result P70 was raised in order to allow this meter to be registered in CMRS and for the meter data to be collected using CDCA.

1.3 Rationale for Recommendations

The Panel recognised that this was an optional and cost-effective feature, which could help the administration of new distribution networks introduced as a result of P62. The Panel believed the added transparency, efficiency and assurance provided by P70 would improve overall data quality, and the confidence in that data, and that this would help promote competition in supply. It was also considered that P70 could help in the administration of the settlement arrangements, given the potential complexity of distribution systems once P62 is implemented¹.

The Panel agreed (unanimous view) that Modification Proposal P70 would promote effective competition in supply (Applicable BSC Objective (c)) and promote efficiency in the administration of the settlement arrangements (Applicable BSC Objective (d)).

The subsequent consultation expressed unanimous support for the Panel's recommendation.

¹ See section 5 for further factors underlying the rationale for the Panel recommendation.

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 MODIFICATION PROPOSAL

Following commencement of parts of the Utilities Act 2000 on 1 October 2001, distribution of electricity is now a distinct licensable activity, and as a result entities other than a Public Distribution System Operator (PDSO) may be obliged, or choose, to obtain Distribution Licences. This creates a requirement for new licensed distributors to be able to join the Balancing and Settlement Code (BSC), the Master Registration Agreement (MRA), and where appropriate comply with the Settlement Agreement for Scotland (SAS).

Initially the impact of these changes was considered by the Distribution Business Focus Group (DBFG), an industry group established under the MRA Executive Committee (MEC). The DBFG examined a number of options for amending industry documents and systems to support new licensed distributors. Following consultation with Parties to the MRA and the BSC, the DBFG recommended an approach referred to as Option 7.

TXU UK Ltd raised P62 on 3 January 2002 in order to progress the BSC aspects of Option 7 under BSC governance.

One issue recognised by the DBFG was that if a meter was installed between two Distribution Systems, within the same GSP Group, then the BSC would not allow that meter to be registered in the Central Meter Registration Service (CMRS) and for the data to be collected using the Central Data Collection Agent (CDCA). As such a meter is not required for settlement purposes it was excluded from the scope of P62.

However, the DBFG also recognised that such a meter was desirable and that if it was installed it was also desirable that it should be registered in CMRS. As a result the DBFG supported SEEBOARD in raising P70 on 1 March 2002 in order to allow this requirement to be assessed.

At the Panel meeting on 14 March 2002 P70 was submitted into the Assessment Procedure, to be progressed in parallel with P62, such that an Assessment Report be presented to the Panel meeting on 13 June 2002. The Panel further recognised that the assessment of P70 would need to be based on the assumption that P62 is itself approved (i.e. P70 can be assessed as an option) and hence any costs could be considered as incremental costs to those applicable to P62.

The Volume Allocation Modification Group (VAMG) met three times during the Assessment Procedure to consider both P62 and P70. A Requirement Specification for P70 was produced and sent out for consultation. The results of this consultation were used to construct the Assessment Report, which recommended that the Proposed Modification should not be made.

The Panel considered the Assessment Report for P70 at their meeting 13 June 2002. The Panel recognised the issues that had caused the VAMG difficulty in assessing P70. After consideration of the issues the Panel agreed (unanimous view) that P70 would better facilitate achievement of the Applicable BSC Objectives and that the Proposed Modification should be made. The Panel further determined that P70 should be submitted to the Report Phase, with the completed Draft Modification Report to be presented to the Panel meeting on 18 July 2002.

A draft Modification Report was prepared and sent to Parties on 25 June 2002 for consultation by 04 July 2002. Subsequently the draft Modification Report has been amended in the light of the representations received, together with a summary of those representations.

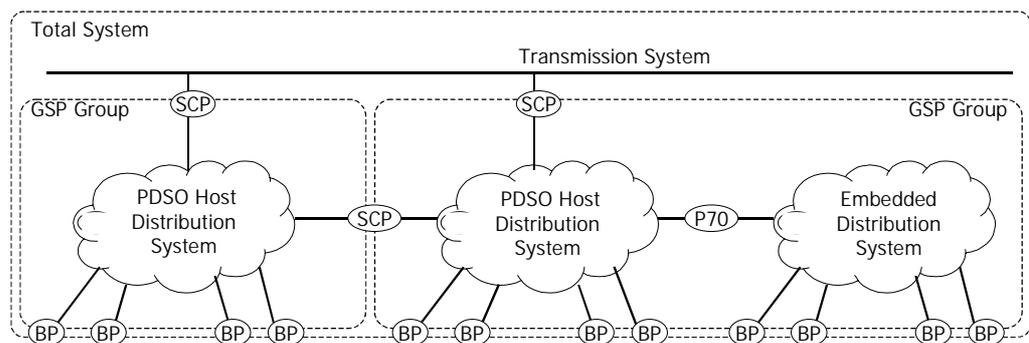
At the Panel Meeting 18 July 2002 the draft Modification Report and consultation responses were discussed. The Panel reaffirmed (unanimous view) their original recommendation that the Proposed Modification should be made and determined that the draft Modification Report should be sent to the Authority.

4 DESCRIPTION OF MODIFICATION PROPOSAL

One of the key features of P62 is that for the purposes of Supplier Volume Allocation (SVA), the new Distribution Systems can be seen as extensions to the networks operated by the PDSO. All the meter readings for the current Public Distribution System, and any other Distribution Systems within the same GSP Group, are all aggregated together allowing the operation of the GSP Group Correction Factor to continue to apportion errors across a large number of Non Half Hourly metering systems.

A feature of this is that for the purposes of settlement there is no requirement for a meter between two Distribution Systems within the same GSP Group. In Figure 4.1 such a potential metering point is labelled as "P70". Furthermore the current BSC only allows meters at System Connection Points (SCP) or Boundary Points (BP) to be recorded in CMRS.

Figure 4-1 P70 Inter Distribution System Meter



As such a meter is not required for settlement purposes it was excluded from the original scope of P62.

P70 states that if a meter were to be installed between two Distribution Systems within the same GSP Group, then:

- CMRS compliant metering should be installed & registered under BSCP20;
- aggregation rules for the metering would be submitted under BSCP75, such that any new rules should result in the meter data being excluded from settlement;
- CDCA would perform normal data collection, validation, meter advance reconciliation processes as per the BSC rules and data would be sent to interested parties (i.e. CDCA-I012, CDCA-I014 & CDCA-I030 files).

The DBFG recognised that it was possible to collect such data totally outside of the governance of the BSC, and without the support of BSC Agent Systems. However, the DBFG also recognised the advantages of using an industry recognised infrastructure by recording the meter in CMRS and collecting the data using CDCA.

The defect being addressed by P70 is not whether such a meter should be installed or not, it is about changing the BSC to allow, but not to force, such a meter to be registered in CMRS, and collected using CDCA, should it be installed between the two Distribution Systems.

5 RATIONALE FOR PANEL RECOMMENDATIONS

The Panel recognised the following factors from the Assessment Procedure:

- the majority (85%) of consultation responses believed that P70 would better facilitate achievement of the Applicable BSC Objectives;
- without P70 only a minority of respondents believed that P62 would better facilitate achievement of the Applicable BSC Objectives;
- the difficulty the VAMG faced in trying to consider whether P70 would better facilitate achievement of the Applicable BSC Objectives and that they considered the BSC Objectives neutral to P70. These difficulties had led the VAMG to narrowly (4 versus 3) recommend to reject the Modification, although with a wider set of objectives they would have unanimously agreed to recommend that P70 be approved;
- the low cost of P70, that it was an optional facility, and the benefit it may offer in the implementation of P62.

One Panel member questioned why P70 was a separate Modification Proposal and not simply part of P62, or an alternative. It was explained that this was largely due to the history of development within the DBFG and that consideration of this was explicitly excluded from the text of P62. Further work within DBFG had subsequently identified the importance of this meter and P70 was then submitted to ensure the issue was considered alongside P62.

One Panel member questioned whether there was an increase in liability should CDCA not collect, or incorrectly collect, data from such a meter. It was explained that the proposed BSC changes for P70 treated this meter as a standard settlement meter, the only difference

being that the Aggregation Rules would ensure that data from it would not feed into settlement. It would be possible to follow the existing processes to query and correct collected data, but not raise a Trading Dispute as no data feeds into the settlement process. It was also explained that ELEXON had received legal advice that there was nothing to suggest this meter could be viewed any differently to a standard settlement meter and that the BSC already contained sufficient safeguards.

The distribution business representative on the Panel explained how distributors saw P70 as mitigating some of the issues they would face as a result of P62. Such a meter was important in helping distributors meet their obligations under the Distribution Licence. These obligations, unlike those for the Transmission Licence, were not part of the Applicable BSC Objectives, but were still a core factor in P62 and hence P70. For example, obligations such as reporting losses to the Authority would be more difficult if more distributors were operating within a GSP Group, and this would benefit from an industry recognised and audited meter. P70 was seen by distributors as a fundamental part of achieving a robust solution for P62. It was also noted that as P62 without P70 would introduce additional issues for distributors, this could be seen as discriminating against one class of Parties (BSC B1.2.1.(c))

In considering the Applicable BSC Objectives the Panel noted the following factors:

- the added transparency, efficiency and assurance provided by P70 would improve overall data quality and confidence in that data, and that this would help promote competition in supply (Objective (c)).
- the additional complexity of settlement, and in particular the composition of GSP Groups, as a result of P62 is such that the presence of such a meter may in some circumstances be required to maintain effective competition in supply. In the case of large networks such a meter would help quantify the impact of each network on GSP Group Correction, and hence help the administration of the settlement arrangements (Objective (d));
- the approval of a single Line Loss Factor (LLF) to represent two competing distribution networks will inevitably increase commercial pressures on production of these values. The presence of such a meter under the BSC will increase the transparency and ease the administration of this task (Objective (d));
- the Panel recognised the long lead time associated with the introduction of P62 and that there would be pressure for interim arrangements. The option of temporarily “adopting” new networks, under a bilateral agreement, would allow the customers of these networks to benefit from competitive supply before P62 was implemented. Such a meter would be of increased value in the early opening of these networks to competitive supply (Objective (c)). The Panel believed this was sufficiently important to recommend that P70 is implemented as soon as possible and does not wait until the Implementation Date for P62;

The Panel agreed (unanimous view) that P70 would promote effective competition in supply (Applicable BSC Objective (c)) and promote efficiency in the administration of the settlement arrangements (Applicable BSC Objective (d)).

As a result of the concerns over interim arrangements, the Panel recommended that ELEXON investigate the earliest possible Implementation Date for P70. Although there are

no software changes, there are BSCP changes. ELEXON can confirm that the Implementation Date could be brought forward to coincide with the December BSC Systems Release on 10 December 2002. The revised data was included in the draft Modification Report and all respondents to the consultation agreed with the recommendation.

At the Panel Meeting 18 July 2002 the draft Modification Report and consultation responses were discussed. All consultation responses supported the Panel's recommendation and no new substantive arguments were made.

One Panel member questioned why the legal text made it optional for the meter to be installed and recorded in CMRS, especially as the original modification suggested that such a meter should be installed. It was explained that this point had been discussed by the VAMG, who had clarified that the intent was for it to be optional. The original DBFG requirement for such a meter, upon which P70 was based, was labelled as "desirable". This requirement recognised there would be circumstances where the additional cost of such a meter would be inappropriate, such as a network consisting only of a small number of domestic houses. In addition, as such a meter was not required for settlement, it would be inappropriate for the BSC to mandate its existence.

The Panel reaffirmed (unanimous view) their original recommendation that the Proposed Modification should be made and determined that the draft Modification Report should be sent to the Authority.

6 LEGAL TEXT TO GIVE EFFECT TO THE MODIFICATION PROPOSAL

The changes to the legal text of the Code are contained in Annex A and are made against the version identified in table 6.1. This legal text is not dependent on P62.

These changes are the changes necessary to implement the Proposed Modification only. If the baseline of the Code changes prior to implementation of the Proposed Modification, or if other Modification Proposals are to be implemented at the same time as the Proposed Modification, the legal text may need to be amended.

Table 6.1 – P70 Legal Text

Section	Version
K	7.0
X-1	8.0

7 ASSESSMENT

Detailed assessment by the VAMG can be found in the P70 Assessment Report [RD/2]

7.1 Impact Assessment

The initial work by the VAMG identified 3 potential options (see P70 Requirements Specification [RD/1]) for recording a meter in CMRS, such that although the meter data was collected by CDCA, it did not get included in settlement.

The options were assessed by the Central Service Provider prior to the VAMG performing the consultation exercise, and hence Parties could also consider the indicative costs for each option. The majority of consultation responses believed that Option 2 was the optimal approach, as it produced the most functionality for a minimal cost. It was also the option that most closely represented the approach detailed in the original Modification Proposal.

Option 2 involved defining the meter as a "DSCP id", which would allow the readings to be included in the CDCA-I030. The validation rules for CDCA require such meters to be included in at least one GSP Group rule. To avoid this affecting settlement, the proposed approach is to include it in the Aggregation Rule, but multiply it by zero to ensure it has a null effect.

This approach did not involve any software changes to the CVA systems. However a cost of £12,300 was identified to update documentation and operational procedures to ensure these meters were registered correctly. Any ELEXON costs to manage the work and update the BSCPs to contain the appropriate instructions would be made part of the P62 implementation project.

The VAMG recommendation was that P70, if implemented, be given the same Implementation Date as P62.

7.2 VAMG Assessment

The consultation responses showed that the majority (85%) of respondents and Parties believed that P70 would better facilitate achievement of the Applicable BSC Objectives. The basis of the main arguments were:

- an improvement in data quality, such as LLFs and data being input into DUoS calculations, would improve competition in supply (BSC Objective (c));
- an improvement of data quality would also improve efficiency in the administration of the settlement arrangements (BSC Objective (d)), for instance by improving the ability to monitor the performance of participants and the operation of GSP Group correction;
- there would be circumstances where such a meter would be required, and the overall cost of collecting this data in a co-ordinated and auditable manner outside the BSC would be more expensive, such that if P70 was not approved then it would have a detrimental effect on efficiency and competition;
- in addition a number of respondents believed that, although P62 would better facilitate achievement of BSC Objective (c), the combination of P62 and P70 was a better technical solution that would even better facilitate achievement of BSC Objective (c). This is also included in the recommendation within the P62 Assessment Report [RD/3].

The VAMG had no issue with what P70 could achieve, but recognised issues about better facilitating achievement of the Applicable BSC Objectives and that these were neutral to effects of the P70. Although P70 is part of an initiative to facilitate competitive supply on the networks of new licensed distributors, the operation of these networks (and any licence obligations) is outside of the BSC, and these meters are not required for settlement.

The VAMG recognised it was important to take into account the support for P70 in the consultation responses, the low cost of implementation and that use of this facility was optional. P62 would be introducing major changes and it was not possible to predict the

take up, or the nature of the individual networks, and hence the demands P62 will place on the settlement process. Rejecting P70 at this stage would remove the flexibility to make use of this facility should it become more widely accepted that centrally collecting data from an industry standard meter did represent a measurable benefit within the BSC.

Some of the VAMG were concerned that it was not possible to state that a perceived improvement in data quality was sufficiently tangible to show it would lead to a measurable improvement in competition in supply. The VAMG were split over this issue with a narrow majority (4 versus 3) believing that with the data currently available it was not possible to show that P70 would better facilitate achievement of the Applicable BSC Objectives.

However, the VAMG also recognised that this view may be seen as narrow given the nature of P70 and its lack of direct relevance to generation, transmission or supply. When they considered P70 in terms of the wider principle objective² for the Authority, which as a result of the Utilities Act 2000 also considers competition in distribution, the VAMG were unanimous that P70 would help promote effective competition. The VAMG felt it was important that the potential advantages of P70 were noted by the Panel and that the Authority should be asked to consider this within the wider context of their own objectives.

8 SUMMARY OF REPRESENTATIONS

The responses received to the draft Modification Report issued for consultation on 25 June 2002 are attached as Annex B. 9 responses, representing a total of 36 Parties, were received.

All respondents supported the Panel's recommendation to send the Modification Proposal P70 to the Report Phase with a recommendation that the Modification should be made with the revised Implementation Date of 10 December 2002.

No new substantive arguments were made. However, a number of respondents provided detailed points (to support their previous consultation responses in the Assessment Report) that P70 was an important element of the overall P62 solution. These points are listed in Annex B.

² 3A - (1) The principal objective of the Secretary of State and the Gas and Electricity Markets Authority (in this Act referred to as "the Authority") in carrying out their respective functions under this Part is to protect the interests of consumers in relation to electricity conveyed by distribution systems, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the generation, transmission, distribution or supply of electricity.

ANNEX A – PROPOSED TEXT TO MODIFY BSC

Attached as separate document

ANNEX B – P70 REPRESENTATIONS

Responses from P62 draft Modification Report Consultation

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU	P70_MR_001	21
2.	SEEBOARD Power Networks	P70_MR_002	1
3.	YEDL/NEDL	P70_MR_003	2
4.	Aquila Networks	P70_MR_004	1
5.	SEEBOARD Energy	P70_MR_005	1
6.	London Electricity	P70_MR_006	1
7.	Scottish Power	P70_MR_007	6
8.	Western Power Distribution	P70_MR_008	2
9.	British Gas Trading (late response)	P70_MR_009	1

P70_MR_001 – TXU

As a market participant we agree with the Panel's view as set out in the Draft Report that the Modification Proposal should be made given the ancillary benefits that would arise for Suppliers from its implementation. We also agree that it should be implemented prior to P62 and that it may help facilitate interim arrangements prior to the implementation of P62.

Phil Russell, TXU

P70_MR_002 – SEEBOARD Power Networks

Response to draft Modification Report in respect of P70 on behalf of SEEBOARD Power Networks plc (SBPN).

SEEBOARD Power Networks supports the decision of the Panel on 13 June 2002 that Modification Proposal P70 should be made. We have always believed that the modification proposal is in the best interests of all industry parties.

This is reflected in the unanimous decision of the Panel that P70 would fulfil Applicable BSC Objectives C and D; the unanimous decision of the VAMG that P70 was in the best interest of the industry as a whole, and the majority (85%) of the responses to the consultation that P70 would better facilitate the Applicable BSC Objectives.

We would urge the Gas and Electricity Market Authority to exercise its powers to direct that Modification Proposal P70 should be made as per the recommendation of the panel on 13 June 2002.

Jonathan Purdy, SBPN

P70_MR_003 – YEDL/NEDL

The case for metering the boundary is that the connection from one distribution system to another is, in principle, no different to that of any other interconnector. It is important that the liabilities for DUoS System Losses, etc, should lie where they fall. It is therefore important that liabilities are properly identified and apportioned to the appropriate parties.

It has been argued that P070 is not required because the data is not required for settlements. The only reason for this is the P62 proposes that data only needs to be settled by GSP Group rather than by distributor. The proposal to do this is a systems driven solution as opposed to a solution designed to lead to better accuracy of data.

The aggregation of energy consumed on different distribution systems within a GSP group means that there is significant potential for supplies and customers associated with one distributor to subsidise customers and suppliers associated with another distributor (as a minimum through the application of Group Correction Factor across the GSP).

Such cross subsidy should be minimised and settlement liabilities lie where they fall. The only way this can be done is to net off consumption from distributors against boundary metering. By not having boundary metering in place it will be more difficult for Elexon (and the industry) to identify/ apportion responsibility for trading errors. Ofgem are already concerned on the impact of Group Correction Factor in DUoS Billing.

Embedded Distributors do not need to be a signatory or party to CUSC. They are therefore not subject to the rules of CUSC

Distributors may need to separately identify income transferred onto another distribution system from a regulatory accounting perspective.

Not implementing the P70 will mean there is no mechanism for assessing the performance of embedded distributors.

Sue Calvert, YEDL/NEDL

P70_MR_004 – Aquila Networks

Aquila Networks plc supports the BSC Panel's recommendation that Modification Proposal P70 'CMRS Metering for inter-DNO Boundaries within a GSP Group', be implemented.

We feel that 'boundary metering' will prove to be cost-effective and will help the administration of new distribution networks introduced as a result of P62. We agree with the Panel that the added transparency, efficiency and assurance provided by P70 will improve overall data quality, thus helping to promote competition in supply. We also concur with the opinion that P70 could help in the administration of the settlement arrangements, given the potential complexity of distribution systems once P62 is implemented.

In terms of 'better facilitating achievement of applicable BSC objectives', again we are in agreement with the Panel on the following points:

- P70 will promote effective competition in supply, thus better achieving applicable BSC Objective (c). We have expanded on this point in Annex A, below.
- P70 will promote efficiency in the administration of the settlement arrangements thus better achieving applicable BSC Objective (d)

In addition, as the Distributor representative on the Panel pointed out, obligations such as reporting losses to the Authority would prove to be difficult if multiple distributors were operating within a GSP Group. This difficulty would be removed if an industry recognised and audited meter was installed at the boundary. This is one of the reasons we see the implementation of P70 as an integral part of the P62 solution. Our preference originally was not to support 'Option 7', but rather to see new distributors operating in separate, distinct GSP Groups. However, we are prepared to accept Option 7 and consequently P62, provided that we are able to receive the data we require to make this option work (i.e. we require acceptance of P70). Implementation of P70 will ensure that Distributors retain their ability to:

- calculate losses (and consequently Loss Adjustment Factors)
- produce a 'week 24 return' (seven year statement) for NGC
- accurately bill Use of System charges

So in fact, the implementation of P62 without P70 would introduce additional issues for distributors, effectively causing discrimination against one class of Parties.

The Panel are also right to recognise that:

- the additional complexity of settlement introduced by the implementation of P62, and in particular the subsequent potential composition of GSP Groups would be such that the presence of a boundary meter may be required to maintain effective competition in supply. In the case of large networks such a meter would help quantify the impact of each network on GSP Group Correction, therefore aiding the administration of the settlement arrangements.
- the approval of a single Line Loss Factor (LLF) to represent two competing distribution networks will inevitably increase commercial pressures on production of these values. The presence of such a meter under the BSC will increase the transparency and ease the administration of this task

It is also worth noting that registration of boundary metering in CMRS would effectively mean using existing, established and proven Industry standards and systems for the purposes of data collection, processing, validation and transmission. This would be of benefit to many industry parties (Data Collectors, Meter Operators, Suppliers and both existing and new Distributors), since the alternative would mean effectively 'reinventing the wheel' simply to accommodate a particular type of meter. The cost of such an alternative would prove to be prohibitive, specifically that of having to implement boundary metering and a data collection infrastructure when it would be easier to utilise the existing infrastructure.

We agree with the Panel that P70 be implemented as soon as possible, prior to and independent of the Implementation Date for P62. A boundary meter would be of increased value in the early opening of new licensed networks (i.e. pre-implementation of P62).

**Annex – P70 and the better facilitation of BSC Objective (c)
to promote competition in the sale and purchase of electricity**

Under the terms of our Distribution license we are obliged to offer terms to connect to our system. We are also obliged to offer terms for Use of system. In offering such terms we are permitted to charge, to

recover our reasonable costs, and must do so in a non-discriminatory manner. It also follows that to enable us to charge it is reasonable to require data to be provided to allow such charging to take place.

Where a connection from our system is also a meter point traded in the settlements system, data can be obtained efficiently from the settlements system. Where a connection from our system is not a traded meter point, we must seek the most efficient way to obtain accurate data to allow us to charge in accordance with reasonable terms we would offer to fulfil our license obligations. If a person requesting connection or use of system does not accept our reasonable terms then we are not obliged to make available connection or use of system. The applicant may refer our offer to Ofgem to determine if the terms are reasonable.

The only circumstances where a connection may be offered which is not a traded meter point (either CVA or SVA) is where the applicant wishes to operate a licensed distribution network and facilitate customers of that network to have competitive supply. As we are also under an obligation to facilitate competition in supply, we are obliged to offer terms to such applicant and must do so in the most economic and efficient manner. We have established that it is reasonable to have data from such a connection point to permit charges to be made. Such data, however, could be provided either from an actual meter, or a 'pseudo' meter. It is our view that the most economic way to obtain such data is by installation of an actual meter and utilise existing industry systems to process the data (i.e. P70).

P70 if it is to be approved must be deemed to 'better facilitate achievement of applicable BSC objectives'. It is proposed that one such objective that P70 does better facilitate is to promote competition in the sale and purchase of electricity. It would follow logically that if P70 were not deemed to promote such competition that a distributor would be justified in not offering terms to a connection point that was not a traded meter point, since we have established above that such circumstances could only occur where a distributor was seeking to fulfil its obligation of facilitating competition in supply.

As we are of the view that Ofgem would deem such a connection as necessary to facilitate competition in supply (and indeed to effect P62 would be confirmation of this), we are of the view that Ofgem must also deem P70 to be facilitating achievement of the applicable BSC objective to promote competition in the sale and purchase of electricity.

P70_MR_005 – SEEBOARD Energy

With respect to draft modification report for P70 (CMRS Metering for inter-DNO Boundaries within a GSP Group) dated 25th June. We agree with recommendation with section 1.1 of this report.

Dave Morton

SEEBOARD Energy Limited

P70_MR_006 – London Electricity

Thank you for the opportunity to comment. We would take this opportunity to confirm our continuing support for P70.

We are pleased to see that the Panel has found reasons to put P70 forward for approval that had escaped the VAMG. In particular we would argue that in the case of large networks such a meter would help quantify the impact of each network on GSP Group Correction. Also with the long lead time associated with the introduction of P62, there seems likely to be pressure for interim arrangements. An inter-DNO Boundary meter will be of value in any temporarily "adopted" new networks. For this reason

we consider that P70 has merit on its own account and that its implementation should not wait until that of P62

Paul Chesterman
for Liz Anderson, Energy Strategy & Regulation Manager
LE Group

P70_MR_007 – Scottish Power

With reference to the above, ScottishPower continues to support P70, and believe this to be an essential feature in the arrangements to facilitate the introduction of competition in distribution network operation.

However, I would like to use the opportunity to reiterate the point made during a previous consultation that we believe the solution being proposed for P70 is substantively different from the original intention of P70, notably that the installation of CMRS registered metering at inter-DNO boundaries should be mandated in the BSC rather than optional. The reasons for requiring metering at inter-distribution network connection points are:

- 1) To enable distribution businesses to correctly account for DUoS charges to Suppliers;
- 2) To facilitate accurate allocation of distribution losses;
- 3) To assist in the identification of errors within a GSP Group.

This would better the achievement of the Applicable BSC Objectives concerning supplier competition.

In our view, the current solution should be progressed as an Alternative Modification and market opinion sought as to which approach is most supported.

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 Ltd; Scottish Power Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.*

P70_MR_008 – Western Power Distribution

Please see comments below on behalf of Western Power Distribution (South West) and Western Power Distribution (South Wales).

Regards
Graham Smith
Western Power Distribution

Western Power Distribution welcomes the Panel decision to recommend acceptance of modification P070. We believe the installation of inter DNO metering will be an important factor in delivering the efficient administration of new distribution networks introduced as a result of modification P062.

CRA metering is already required at boundaries between Distributors operating in different GSP groups and, in principle, there is no difference between these boundaries and those between Distributors operating within the same GSP Group. In both cases there is a clear need to be able to monitor energy flows both on to, and off, each Distributor's network.

Accurate metering of energy flows across the boundaries of DNO systems will improve the quality of data available to the Distributor and will assist the accurate calculation of Line Loss Factors and Use of System charges. It will ensure that any impact from embedded networks on the GSP Group Correction Factor can be attributed to the correct party, and will allow the performance of Distributors to be compared on a valid basis.

Modification P062 excluded consideration of inter DNO metering on the basis that it was not required for settlements. Although, from a settlements perspective, this may be technically correct some form of metering is likely to be needed for the reasons above. Allowing registration of this metering in CRA, and data collection by CDCA, is the most efficient way of fulfilling the metering requirements. Adoption of P070 will not force the installation of metering where it is not deemed necessary or preclude other solutions where they are more practicable.

We therefore fully support the panel recommendation to accept modification P070.

P70_MR_009 – British Gas Trading

Thank you for the opportunity to respond to this Draft Modification Report on Modification Proposal P70. This response is on behalf of British Gas Trading Ltd.

We support the recommendations in this draft modification report made by the Panel on the 13th June 2002 that the modification should be made and implemented on the 10th December 2002. We also agree that the combination of both Modification Proposals P70 and Modification Proposal P62 would provide a better technical solution and would better facilitate the applicable BSC Objectives.

We believe that the use of boundary meters would also assist in the maintaining data quality and accuracy of DUoS charges.

We have also noted the legal text changes to the BSC and also support these.

Should you like to clarify any of the above points please feel free to give me a call.

Yours Faithfully
Andrew Latham, BGT