

February 2002

**MODIFICATION REPORT**  
**MODIFICATION PROPOSAL P55 –**  
**BSC Conflicts with Consolidation of**  
**Embedded Generation in Central**  
**Volume Allocation**

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

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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 to the Authority that:

- (i) **the Proposed Modification should not be made; and**
- (ii) **the Alternative Modification should not be made.**

### 1.2 Background

The Proposed Modification seeks to amend BSC Section K to address an incompatibility between:

- (i) the requirement that a Metering System may only be registered in the Central Metering Registration Service (CMRS) provided that there is not an associated Metering System registered in the Supplier Metering Registration System (SMRS); and
- (ii) the requirement for the Metering Systems associated with an Exemptable Generating Plant to be registered in CMRS in order that a Trading Unit can be formed with demand in the same GSP Group, and hence realise “embedded benefits”.

“Embedded benefits” can be most simply realised by Suppliers subsuming the Exports of Exemptable Generating Plant into Supplier BM Units that have significant demand, such that the Exports of the Exemptable Generating Plant nets off some or all of the demand. Therefore, by reducing the magnitude of the BM Unit Metered Volume of the Supplier BM Unit, the Exemptable Generating Plant reduces the allocation of transmission losses, in addition to reducing the BSCCo and Balancing Services Use of System (BSUoS) charges. Furthermore, whereas Production and Consumption imbalances are kept separate, in these circumstances the Exports of the Exemptable Generating Plant are able to aggregate directly with demand.

In some cases the generator (referred to in the BSC as a “Third Party Generator”) may wish to elect to be responsible for its Exports a Trading Party that does not have sufficient (or even any) demand in its Supplier BM Unit. Here, the BSC allows ‘netting-off’ benefits to continue to be realised by forming a Trading Unit including a BM Unit comprising the Exemptable Generating Plant and a Supplier BM Unit in the same GSP Group.

However, for a Trading Unit involving a BM Unit comprising Exemptable Generating Plant and a Supplier BM Unit to be formed, the BSC requires that the BM Unit comprising Exemptable Generating Plant must specifically satisfy the definition of an “Exempt Export BM Unit”. This requires that the BM Unit not only comprises only Exemptable Generating Plant, but also that the Metering Systems that the BM Unit comprises are CVA Metering Systems, i.e. registered in the Central Metering Registration System (CMRS). In many cases, existing Metering Systems associated with Exemptable Generating Plant will be registered in SMRS, although, the provisions of the BSC permit Parties to transfer the registration of Metering Systems between CMRS and SMRS and vice-versa.

The Proposed Modification resolves a problem that arises when, as allowed by BSC Section K3.1.3, one Party is responsible for the Exports whilst another Party is responsible for the Imports. For Exemptable Generating Plant, it is likely that the Imports are subject to an existing Supply arrangement wherein the Metering Systems are SVA Metering Systems. The requirement that the Metering Systems associated with the BM Unit associated with the Exports of the Exemptable Generating Plant should be CVA Metering Systems in order that a Trading Unit can be formed then causes a conflict with BSC Section

K2.1.2, which requires that Metering Systems associated with Exemptable Generating Plant may only be registered in CMRS provided that no other Metering System associated with the Exemptable Generating Plant is registered in SMRS. The Proposed Modification removes the restriction of K2.1.2 and further provides for both CVA and SVA Data Collectors to access the same Outstation. A similar arrangement has been provided for Meter Operator Agents (MOA) to access the Metering Equipment, albeit the CVA MOA and the SVA MOA must be the same company.

The Modification Group also identified an Alternative Modification which would allow the BM Unit associated with the Exports of the Exemptable Generating Plant to satisfy the definition of an Exempt Export BM Unit, such that a Trading Unit could be established with another Party's Supplier BM Unit, irrespective of whether the Metering Systems are CVA Metering Systems or SVA Metering Systems. This would require the definition of Exempt Export BM Unit in Annex X-1 to be changed. A change would also be required to avoid any conflict with BSC Section K4.4.1(a), which precludes the Trading Unit having more than one Supplier BM Unit.

The Panel meeting on 13 December 2001 agreed that Modification Proposal P55 should be submitted to the Assessment Procedure, and that the Assessment Report should be presented to the Panel meeting on 14 February 2002. Subsequently, ELEXON received a notice from the Authority on 4 January 2002, pursuant to BSC Section F, paragraph 1.4.3 (d), instructing the Panel Chairman to present an Assessment Report to the Panel Meeting on 17 January 2002. The draft Modification Report was then considered by the Panel on 14 February 2002.

### **1.3 Rationale for Recommendations**

#### **1.3.1 Initial Recommendations**

The Panel, at its meeting on 17 January 2002, agreed that both the Proposed Modification and the Alternative Modification address a defect in the BSC, which it is recognised limits the commercial options available to Exemptable Generating Plant. The Panel concluded that both the Proposed Modification and the Alternative Modification better facilitate achievement of the Applicable BSC Objectives.

The Panel also agreed with the Modification Group's view that the objective of the Modification Proposal was to realise 'embedded benefits' for Exemptable Generating Plant, and that there did not appear a reason as to why the definition of Exempt Export BM Unit should be conditional on the Metering Systems associated with the Exemptable Generating Plant being CVA Metering Systems. The ability to form Trading Units should be dependent on what groupings of Plant and/or Apparatus should be allowed to realise the benefits of netting-off, and the system used to register the Metering Systems should be of no relevance.

The Panel was concerned at the costs and risks and to the integrity of settlements posed by the large number of transfers of registrations from CMRS to SMRS that would be likely to result from the Proposed Modification. The Alternative Modification would avoid the need for such transfers, by allowing the Metering Systems to remain in registered in SMRS. Thus, although the Alternative Modification would imply that the Trading Party responsible for Exports would need to be a Supplier (in order to register Metering Systems in SMRS), the Panel decided that the Alternative Modification would better facilitate achievement of the Applicable BSC Objectives, as compared with the Proposed Modification.

#### **1.3.2 Revised Recommendations following Authority Decision on P7**

However, subsequent to the Panel meeting on 17 January 2002, the Authority decided that the P7 Alternative Modification should be made. The P7 Alternative allows any two Supplier BM Units in the

same GSP Group to form a Trading Unit. Consequently, any Exemptable Generating Plant with Metering Systems registered in SMRS would, as a result of being a Supplier BM Unit, be able to form a Trading Unit with any other Supplier BM Unit in the same GSP Group.

At the meeting on 14 February 2002, the Panel thus decided to recommend that the P55 Alternative Modification should not be made, on the grounds that the decision on P7 Alternative made it unnecessary. The Panel also reviewed its decision to recommend that the P55 Proposed Modification should not be made. The Panel agreed by a majority that, in view of the costs and risks and to the integrity of settlements, and in view of the lack of time that had been available to properly assess the risks associated with the Proposed Modification, the previous recommendation should be confirmed.

## **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](http://www.elexon.co.uk)

## **3 HISTORY OF PROPOSED MODIFICATION**

SmartestEnergy Limited submitted Modification Proposal P55 on 30 November 2001. The Panel meeting on 13 December 2001 agreed that Modification Proposal P55 should be submitted to the Assessment Procedure, and that the Assessment Report should be presented to the Panel meeting on 14 February 2002. Subsequently, ELEXON received a notice from the Authority on 4 January 2002, pursuant to BSC Section F, paragraph 1.4.3 (d), instructing the Panel Chairman to present an Assessment Report to the Panel Meeting on 17 January 2002.

The Modification Proposal was assessed by the Modification Group which held two meetings on 4 January 2002 and 10 January 2002. Both the Proposed Modification and the Alternative Modification were consulted on by the Modification Group, and the Assessment Report was submitted to the Panel meeting on 17 January 2002. The Panel agreed that a draft Modification Report should be prepared recommending that the Proposed Modification should not be made, but that the Alternative Modification should be made, and that this report should be consulted on and presented to the Panel meeting on 14 February 2002.

A draft Modification Report was prepared and consulted on as directed by the Panel, noting that the P7 Alternative would achieve the same effect as the P55 Alternative. Subsequent to the Panel meeting the Authority decided that the P7 Alternative Modification should be made. At its meeting on 14 February 2002, the Panel considered the draft Modification Report, and revised its recommendations in the light of the Authority's decision.

## **4 DESCRIPTION OF PROPOSED MODIFICATION AND ALTERNATIVE MODIFICATION**

### **4.1 Proposed Modification**

Modification Proposal P55 seeks to address incompatibilities in areas of the BSC with the concept of a 'consolidator'. The Proposed Modification would change Sections J and K of the BSC to allow consolidators to trade Export Active Energy from Exemptable Generating Plant in CVA whilst allowing the Import Active Energy to remain in SVA. The Proposer believes that this approach will provide small embedded generators with an avenue into, and the benefits of, the NETA market, enabling a competitive price for the energy comparable to that of the larger players. The Proposed Modification would also remove the need for a consolidator to have a Supply Licence.

The Proposed Modification would remove the restriction in Section K to register *all* Metering Systems, including both Exports and Imports, associated with an Exemptable Generating Plant in the same Registration System, either CMRS or SMRS. The Proposed Modification proposes changes to BSC Section J that are intended to accommodate two separate Data Collectors accessing the same Outstation associated with Metering Equipment at a Third Party Generating Plant for settlement purposes. Currently, in accordance with BSC Section J, only one Data Collector can access and retrieve data for settlement purposes. However, if the Export Active Energy is to be traded in CVA and the Import Active Energy in SVA then access will be required by two separate Data Collectors (CDCA and SVA) and the relevant data processed through their respective routes.

There is also a similar issue for the Meter Operator Agent (MOA) as BSC Section J allows only one MOA to be appointed for a particular Metering Equipment. Metering Equipment can provide for a number of Metering Systems, and Agent appointments are based on Metering Systems. The Modification Proposal would allow an Outstation containing two Metering Systems to have one MOA registered in CMRS and the other in SMRS. The Accreditation processes associated with meter operation, and the responsibilities of a MOA, are different for the CVA and SVA sectors of the Trading Arrangements. There are a number of MOAs Accredited for operation in SVA which are not Accredited for operation in CVA, whereas all the MOAs Accredited for CVA are also Accredited for SVA. The Proposed Modification would mean the same MOA 'company' being appointed for both the Export and Import Metering Systems. This arrangement would ensure that faults identified by either Data Collector would be reported to the same source for resolution.

### **4.2 Alternative Modification**

The Alternative Modification was developed by the Modification Group and would allow the BM Unit associated with the Exports of the Exemptable Generating Plant to satisfy the definition of an Exempt Export BM Unit irrespective of whether the relevant Metering Systems were registered in SMRS or CMRS, such that a Trading Unit could be established with another Party's Supplier BM Unit. This would require the definition of an Exempt Export BM Unit in Annex X-1 to be changed. A further change would also be required to avoid any conflict with BSC Section K4.4.1(a), which precludes the Trading Unit having more than one Supplier BM Unit, i.e. more than one BM Unit with SVA Metering Systems since, if the Metering Systems were to remain in SMRS, the new Exempt Export BM Unit would also be a Supplier BM Unit.

### **4.3 Modification Proposal P7**

The Panel also noted that if the Authority were to direct that the P7 Alternative Modification should be made then the Alternative Modification described here would become unnecessary. This is because under the P7 Alternative Modification, any two Supplier BM Units would be able to form a Trading Unit.

Thus a BM Unit comprising Exemptable Generating Plant with Metering Systems registered in SMRS would be able to form a Trading Unit with any other Supplier BM Unit. In this case, the Exemptable Generating Plant would not comply with the definition of an Exempt Export BM Unit, but that would not prevent the Trading Unit being formed. On 23 January 2002 the Authority decided that the P7 Alternative Modification should be made.

## **5 RATIONALE FOR PANEL RECOMMENDATIONS**

Both the Proposed Modification and the Alternative Modification address a defect in the BSC which it is recognised limits the commercial options available to Exemptable Generating Plant.

The Proposed Modification highlighted issues associated with data collection, meter operation, etc., although these issues were not necessarily new and may have existed since the previous auction of Non-Fossil Purchasing agency (NFPA) contracts in August 2001 for registrations on 1 October 2001. The ability to have both SVA and CVA Metering Systems associated with Exemptable Generating Plant has so far relied on Panel dispensations granted without any clear criteria on a case-by-case basis. Furthermore the numbers of re-registrations have been small. Nevertheless, operational issues had been associated with the registration process and transfers of Meter Technical Details (MTD) between the SVA MOA and the MOA wishing to provide the relevant information to the BSC Party and to CDCA for operation in CVA, and this is an area of concern for recent registrations.

The definition of Exempt Export BM Unit is used in the BSC only to define which BM Units may be part of a Trading Unit with a Supplier BM Unit, and also to define those BM Units in respect of which Lead Parties may elect whether the BM Unit is to be treated as a Production BM Unit or a Consumption BM Unit. Hence, by amending the definition of Exempt Export BM Unit, the Alternative Modification would have no effect other than to affect when Exemptable Generating Plant were able to realise embedded benefits. Thus, when compared with the current BSC, the Alternative Modification would have no impact on any other aspect of the BSC, and the existing procedures for the registration of Metering Systems would be unaffected. Furthermore, where the same Party is responsible for both the Exports and Imports at an Exemptable Generating Plant, or where the Party responsible for the Imports would agree to the re-registration of Metering Systems in CMRS, the Alternative Modification would still avoid the need for migration into CMRS. Parties could thus become responsible for the Exports of Exemptable Generating Plant simply through the existing change of Supplier processes.

Thus the requirement to migrate potentially large numbers of Metering Systems would be avoided by implementing the Alternative Modification. In addition to avoiding the registration costs and associated risks with such transfers in registration, this would considerably reduce the number of occurrences where dual access by appropriately Accredited Data Collectors and Meter Operator Agents is required.

The Panel recognised that, although the Alternative Modification removes the dependence between the ability to form a Trading Unit and the system used to register the relevant Metering Systems, the facility to register Metering Systems in SMRS presently is available only to Suppliers. However, it was noted that the Non-Fossil-Fuel Purchasing Agency (NFPA) auctions were open only to Suppliers, and although it would be desirable to enable Trading Parties that are not Suppliers to assume responsibility for Exports from Exemptable Generating Plant, the reason for the compressed timescale for the Modification procedure was to put in place arrangements that would accommodate changes in responsibility that would result from the forthcoming NFPA auction.

However, subsequent to the Panel meeting on 17 January 2002, the Authority decided that the P7 Alternative Modification should be made. The P7 Alternative allows any two Supplier BM Units in the same GSP Group to form a Trading Unit. Consequently, any Exemptable Generating Plant with Metering Systems registered in SMRS would, as a result of being a Supplier BM Unit, be able to form a



Trading Unit with any other Supplier BM Unit in the same GSP Group. At the meeting on 14 February 2002, the Panel thus decided to recommend that the P55 Alternative Modification should not be made, on the grounds that the decision on P7 Alternative made it unnecessary. The Panel also reviewed its decision to recommend that the P55 Proposed Modification should not be made. The Panel agreed by a majority that, in view of the costs and risks and to the integrity of settlements, and in view of the lack of time that had been available to properly assess the risks associated with the Proposed Modification, the previous recommendation should be confirmed.

One Panel member felt strongly that the Panel's decision not to recommend either the Proposed Modification or the Alternative Modification conflicted with the view expressed at the previous Panel meeting on 17 January 2002 that the Proposed Modification and the Alternative Modification addressed slightly different defects in the BSC, and commented that the Modification Group had recognised that there might be some merit - had the Modification procedure permitted it - in making both the P55 Proposed Modification and the P55 Alternative Modification. In particular, the Panel member pointed out that, whilst P55 Alternative and P7 Alternative would avoid the need for the transfer of Metering Systems, P55 Proposed would provide the facility for BSC Parties without a Supply Licence to assume responsibility for the Exports and not the Imports of an Exemptable Generating Plant. The Panel member felt that this was an essential part of the objective of the original proposal and thus the Panel should recommend that the Modification P55, as proposed, should be made, irrespective of the position with P7.

## **6 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION**

### **6.1 Conformed Version**

#### **Proposed Modification**

##### **Section J**

Insert new paragraphs 4.1.7 and 4.1.8:

- 4.1.7 *Where the same Metering Equipment at an Exemptable Generation Plant is comprised both in an SVA Metering System and a CVA Metering System:*
- (a) *the Party which is Registrant of the CVA Metering System shall secure that the same person is appointed as Meter Operator Agent in relation to the CVA Metering System as is appointed in relation to the SVA Metering System;*
  - (b) *the Supplier which is Registrant of the SVA Metering System shall provide the Registrant of the CVA Metering System with details of the Meter Operator Agent in relation to the SVA Metering System;*
  - (c) *both such Parties shall ensure that the person so appointed as Meter Operator Agent is appropriately Accredited;*
  - (d) *both such Parties shall notify the nominated Meter Operator Agent of its appointment at least five Business Days before such appointment is to come into effect and (if practicable) give it at least five Business Days' notice of the termination of its appointment.*
- 4.1.8 *Where the same Metering Equipment at an Exemptable Generating Plant is comprised in both an SVA Metering System and a CVA Metering System, and the same Outstation(s) are used for the purposes of transferring data relating to both Metering Systems:*

- (a) *the Party which is Registrant of the SVA Metering System shall provide the Registrant of the CVA Metering System with details of the Data Collector appointed in relation to the SVA Metering System;*
- (b) *the Party which is Registrant of the CVA Metering System shall request the CDCA to provide to such Data Collector access (pursuant to Section R1.4.7 and subject to the proviso in Section R1.4.6) to the relevant Communications Equipment.*

## **Section K**

Amend K2.1.2 to read:

*"... measures quantities of Exports, or Exports and Imports, at the Site of an ...."*

and delete the words:

*"provided that no other Metering System associated with such Exemptable Generating Plant is registered in SMRS".*

## **Section L**

Insert a new paragraph 1.1.5:

*1.1.5 Where the same Metering Equipment at an Exemptable Generating Plant is comprised in both an SVA Metering System and a CVA Metering System:*

- (a) *the Registrant of each such Metering System shall so inform BSCCo and shall provide to BSCCo details of, and BSCCo shall maintain a record of, such Metering Systems and the identities of the Registrants;*
- (b) *where there is any conflict or inconsistency between the requirements applying (pursuant to this Section L) to such Metering Equipment as CVA Metering Equipment and as SVA Metering Equipment, then the requirements applying to CVA Metering Equipment shall apply.*

## **Annex X-1**

Amend the definition of CVA Metering Equipment by adding at the end:

*"(whether or not also comprised in an SVA Metering System)".*

Amend the definition of SVA Metering Equipment by adding at the end:

*"(whether or not also comprised in a CVA Metering System)".*

## **Alternative Modification**

### **Section K4.4:**

Amend K4.4.1(a) to read:

*"... but not containing more than one relevant Supplier BM Unit"".*

Amend K4.4.2 to read:

*"4.4.2 For the purposes of paragraph 4.4.1:*

- (a) [existing text]

- (b) *a relevant Supplier BM Unit is any Supplier BM Unit which is not itself an Exempt Export BM Unit."*

Note: no amendment of Section K4.4 is required for the Alternative Modification once P7 is implemented

## **Annex X-1**

In the definition of Exempt Export BM Unit, delete the word "CVA" so that it reads:

*"means a BM Unit which comprises only Metering System(s) associated with ..."*

## **6.2 Clean Version**

### **Proposed Modification**

#### **Section J**

Insert new paragraphs 4.1.7 and 4.1.8:

- 4.1.7 Where the same Metering Equipment at an Exemptable Generation Plant is comprised both in an SVA Metering System and a CVA Metering System:
- (a) the Party which is Registrant of the CVA Metering System shall secure that the same person is appointed as Meter Operator Agent in relation to the CVA Metering System as is appointed in relation to the SVA Metering System;
  - (b) the Supplier which is Registrant of the SVA Metering System shall provide the Registrant of the CVA Metering System with details of the Meter Operator Agent in relation to the SVA Metering System;
  - (c) both such Parties shall ensure that the person so appointed as Meter Operator Agent is appropriately Accredited;
  - (d) both such Parties shall notify the nominated Meter Operator Agent of its appointment at least five Business Days before such appointment is to come into effect and (if practicable) give it at least five Business Days' notice of the termination of its appointment.
- 4.1.8 Where the same Metering Equipment at an Exemptable Generating Plant is comprised in both an SVA Metering System and a CVA Metering System, and the same Outstation(s) are used for the purposes of transferring data relating to both Metering Systems:
- (a) the Party which is Registrant of the SVA Metering System shall provide the Registrant of the CVA Metering System with details of the Data Collector appointed in relation to the SVA Metering System;
  - (b) the Party which is Registrant of the CVA Metering System shall request the CDCA to provide to such Data Collector access (pursuant to Section R1.4.7 and subject to the proviso in Section R1.4.6) to the relevant Communications Equipment.

#### **Section K**

Amend K2.1.2 to read:

*"... measures quantities of Exports, or Exports and Imports, at the Site of an ...."*

and delete the words:

"provided that no other Metering System associated with such Exemptable Generating Plant is registered in SMRS".

## **Section L**

Insert a new paragraph 1.1.5:

- 1.1.5 Where the same Metering Equipment at an Exemptable Generating Plant is comprised in both an SVA Metering System and a CVA Metering System:
- (a) the Registrant of each such Metering System shall so inform BSCCo and shall provide to BSCCo details of, and BSCCo shall maintain a record of, such Metering Systems and the identities of the Registrants;
  - (b) where there is any conflict or inconsistency between the requirements applying (pursuant to this Section L) to such Metering Equipment as CVA Metering Equipment and as SVA Metering Equipment, then the requirements applying to CVA Metering Equipment shall apply.

## **Annex X-1**

Amend the definition of CVA Metering Equipment by adding at the end:

"(whether or not also comprised in an SVA Metering System)".

Amend the definition of SVA Metering Equipment by adding at the end:

"(whether or not also comprised in a CVA Metering System)".

## **Alternative Modification**

### **Section K4.4:**

Amend K4.4.1(a) to read:

"... but not containing more than one relevant Supplier BM Unit".

Amend K4.4.2 to read:

"4.4.2 For the purposes of paragraph 4.4.1:

- (a) [existing text]
- (b) a relevant Supplier BM Unit is any Supplier BM Unit which is not itself an Exempt Export BM Unit."

Note: no amendment of Section K4.4 is required for the Alternative Modification once P7 is implemented

## **Annex X-1**

In the definition of Exempt Export BM Unit, delete the word "CVA" so that it reads:

"means a BM Unit which comprises only Metering System(s) associated with ..."

## 7 ASSESSMENT

This Assessment was carried out by the Modification Group prior to the authority's decision on the P7 alternative.

The Modification Group agreed that the objective of Proposed Modification was to increase the range of options available to Third Party Generators to contract with Trading Parties to assume responsibility for the Exports from Exemptable Generating Plant, whilst continuing to be able to realise the 'embedded benefits' of: -

- (i) the aggregation of Production from Exemptable Generating Plant with Consumption, thereby potentially reducing exposure to Energy Imbalance Cashflows;
- (ii) the netting of Exports with Imports for the purposes of allocating transmission losses;
- (iii) the netting of Exports with Imports for the purposes of allocating BSCCo Costs; and
- (iv) albeit outside the scope of the Balancing & Settlement Code, the netting of Exports with demand for the purposes of NGC's Use of System charging.

In this respect, the Modification Group agreed that both the Proposed Modification and the Alternative Modification would better facilitate the Applicable BSC Objective of "*promoting effective competition in the generation and supply of electricity*".

The Modification Group could identify no reason as to why the definition of Exempt Export should be conditional on the Metering Systems associated with the Exemptable Generating Plant being specifically CVA Metering Systems. The ability to form Trading Units should be dependent on what groupings of Plant and/or Apparatus should be allowed to realise the benefits of netting-off, and the system used to register the Metering Systems should be of no relevance. The perversity of the restriction is further illustrated by the fact that many Trading Parties are able to circumvent the restriction merely by migrating Metering Systems from SMRS to CMRS, albeit this migration creates a very substantial burden on ELEXON, BSC Agents, Parties and Party Agents if the numbers of Metering Systems being migrated are significant.

Accordingly the Modification Group identified an Alternative Modification which would allow the BM Unit associated with the Exports of the Exemptable Generating Plant to satisfy the definition of an Exempt Export BM Unit, such that a Trading Unit could be established with another Party's Supplier BM Unit. This would require the definition of Exempt Export BM Unit in Annex X-1 to be changed to allow the BM Unit associated with the Exports of the Exemptable Generating Plant to satisfy the definition of an Exempt Export BM Unit, such that a Trading Unit could be established with another Party's Supplier BM Unit. A change would also be required to avoid any conflict with BSC Section K4.4.1(a), which precludes the Trading Unit having more than one Supplier BM Unit, i.e. more than one BM Unit with SVA Metering Systems<sup>1</sup>, since, if the Metering Systems remain in SMRS, the new Exempt Export BM Unit would also be a Supplier BM Unit. The Alternative Modification would not require system changes or the establishment of any new processes and controls, and the associated costs,

By amending the definition of Exempt Export BM Unit, the Alternative Modification would have no effect other than to affect what collections of BM Unit would be permitted to form a Trading Unit. Note that the definition of Exempt Export BM Unit is used in the BSC for no other purpose, except to define which BM Units may be part of a Trading Unit with a Supplier BM Unit, and also to define those BM Units in

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<sup>1</sup> Modification Proposal P7 will amend K4.4.1(a) so as to remove the limitation to only one Supplier BM Unit. On 23 January 2002 the Authority decided that the P7 Alternative Modification should be made.

respect of which Lead Parties may elect whether the BM Unit is to be treated as Production BM Unit or a Consumption BM Unit.

Accordingly, as compared with the current BSC, the Alternative Modification would have no impact on any other aspect of the BSC, and the existing procedures for the registration of Metering Systems would be unaffected. Where the same Party is responsible for both the Exports and Imports at an Exemptable Generating Plant, or where the Party responsible for the Imports would agree to the re-registration of Metering Systems in CMRS, the Alternative Modification would avoid the need for migration into CMRS. Parties could thus become responsible for the Exports through the existing change of Supplier processes.

As compared with the Proposed Modification, by removing the requirement to migrate potentially large numbers of Metering Systems from SMRS to CMRS, the costs and risks of such re-registrations would be avoided. Also, as compared with the Proposed Modification, the Alternative Modification would avoid the requirement to establish new processes to enable Metering Equipment to be accessed by both SVA and CVA accredited Meter Operators and Data Collectors. In this respect, the Modification Group agreed that the Alternative Modification, as compared to the Proposed Modification, would better facilitated the Applicable Objective of, *"promoting efficiency in the implementation and administration of the balancing and settlement arrangements"*.

Parties wishing to register Metering Systems in SMRS must have acceded to the Master Registration Agreement (MRA). Currently, only licensed Suppliers are permitted to receive MPAS Registration Services as Parties to the MRA. Thus the Alternative Modification, as compared to the Proposed Modification, would not prevent Trading Parties that are not Suppliers from needing to migrate Metering Systems associated with Exemptable Generating Plant to CMRS, merely because the non-Suppliers are precluded from registering SVA Metering Systems. Further changes – not identified in this Alternative Modification - may be required to the MRA, and possibly to the Distribution Licence, to permit non-Suppliers to register Metering Systems in SMRS, would remove this limitation. The Modification Group felt that an important catalyst for changes in responsibility for the Exports of Exemptable Generating Plant was likely to be in the current and future NFPA auctions, which are restricted solely to Suppliers. Thus, the Modification Group felt that this limitation would *not* significantly undermine the extent to which the Alternative Modification, as compared to the Proposed Modification, better met the Applicable BSC Objective of, *"promoting efficiency in the implementation and administration of the balancing and settlement arrangements"*.

## 8 SUMMARY OF REPRESENTATIONS

Ten responses (representing thirty-seven Parties) were received to the consultation. Three of the responses (representing fourteen Parties) supported implementation of the Proposed Modification although one of these responses (representing four Parties) did not wish to see a priority case made for the Proposed Modification. Five responses (representing eighteen Parties) supported rejection of the Proposed Modification. The responses rejecting the Proposed Modification did so on the basis that the Authority's decision on P7 made the Proposed Modification unnecessary.

One response (representing four Parties) supported implementation of the Alternative Modification. Nine responses (representing thirty-three Parties) supported rejection of the Alternative Modification. The responses rejecting the Alternative Modification did so on the basis that the Authority's decision on P7 improved the ability of Licence Exempt Generators to realise their embedded benefits and made the Alternative Modification redundant.

No issues concerning the proposed Implementation Date or the legal text for the Alternative Modification or the Proposed Modification Proposal were raised in the consultation responses.

A summary and copies of the representations received and considered by the Modification Group under the consultation carried out during the Assessment Procedure can be found in the Assessment Report on this Proposed Modification. This Modification Report should be read in conjunction with that Assessment Report.

## ANNEX 1 – REPRESENTATIONS

### Responses from P55 Draft Modification Report Consultation

Consultation issued 28 January 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU Europe	P55_MR_001	1
2.	NGC	P55_MR_002	1
3.	British Gas Trading	P55_MR_003	4
4.	SEEBOARD	P55_MR_004	2
5.	Innogy Group	P55_MR_005	9
6.	Powergen	P55_MR_006	4
7.	Scottish & Southern Energy plc	P55_MR_007	4
8.	ScottishPower UK plc	P55_MR_008	7
9.	LE Group	P55_MR_009	4
10.	Vattenfall	P55_MR_010	1



## **P55\_MR\_001 – TXU Europe**

### **P55 Draft Mod Report Comments**

**Para 4.1** – we found the description of the MOA issue helpful but it does not seem to draw out the logical conclusion of this. Could this be expanded further please ? Our understanding is that the consolidator either on their own account or on the instruction of the LEG will appoint a CVA authorised MOA. In turn the consolidator and/or LEG will inform the Supplier of the Import Metering System that they will have to appoint the same MOA in SVA with the same effective from date as the Export Metering System.

Between P55 being raised and the production of the Draft Report the Authority have issued their decision on P7 and directed that the Alternative Mod should be implemented. This makes P55 Alternative technically unnecessary for those Parties that have Supply Licences. Consequently we feel that it would now be better to revert to recommending the original proposal to cover either LEGs who choose to join the BSC themselves or consolidators who do not have a Supply Licence.

We realise that this would re-introduce all the complications of dual access and transfers but given that these circumstances will exclude NFFO auction sites, the potential demand for the service will be markedly reduced from that assumed during assessment of the Proposal.

We still believe that the Alternate Mod Proposal makes sense but only when it is combined with a clarification / change to the MRA. We understand that there are Trading Parties who do not have a Supply Licence who do wish to pursue this option. If this is the case then the current Alternative Mod could be resubmitted in due course.

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## **P55\_MR\_002 – NGC**

### **National Grid Comments 31 January 2002**

Whilst we supported the P55 Alternative Modification we agree with the Panel view in the Report that "The Panel also noted that if the Authority were to direct that the P7 Alternative Modification should be made then the Alternative Modification described here would become unnecessary".

If the P55 Alternative Modification were to be recommended for approval then as associated change to the National Grid Use of System Charging Methodology would also need to be considered.

Nigel Brooks  
31/1/02

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## **P55\_MR\_003 – British Gas Trading**

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

We support the implementation of the Alternative proposal as it will better facilitates the applicable BSC objectives over the current BSC arrangements in addition to the recent approval and impending implementation of Alternative Modification P7.

Further, there is concern that the intent of the original proposal was to allow a non-licensed party to split imports from exports and allow consolidation of exports to occur in CVA without changing SVA import arrangements. The alternative does not address this as it allows only licensed suppliers to take advantage of the new arrangements.

The impact this proposal will have on Core Industry Documents, particularly the MRA, has not been fully addressed during the development of the modification. The draft modification report states that *"Further changes – not identified in this Alternative Modification – may be required to the MRA, and possibly to the Distribution Licence, ..."*. MRASCo note dated 16<sup>th</sup> January 2002 comments "the proposals set out by the modification group are to recommend and alternate change which may lead to **significant** implications for the MRA". As these potential changes have not been identified it is not possible fully assess the impact this Alternative modification will have on Parties.

We are disappointed that there is no clear cost impact assessment within this modification proposal. Whilst it is appropriate and correct that the industry seeks to improve access of all Parties to the benefits of NETA it should not be at excessive cost to the industry.

Yours faithfully,  
Simon Goldring  
Transportation Manager

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#### **P55\_MR\_004 – SEEBOARD**

With respect to recommendations within draft modification report dated 28<sup>th</sup> January. Having considered the content of this report we do not support its recommendations. This report clearly indicates an interaction with alternate form of modification P7. Modification P7 has now been approved in its alternate form and this makes recommendation within this report unnecessary. Therefore, we believe that this modification report should be amended to reject both the main and alternate modifications developed for P55.

Dave Morton  
SEEBOARD Energy Limited  
SEEBOARD Power Networks plc  
0190 328 3465

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#### **P55\_MR\_005 – Innogy Group**

This response is on behalf of Innogy Group (Innogy plc, Innogy Cogen Limited, Innogy Cogen Trading Limited, Npower Limited, Npower Direct Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Yorkshire Limited and Npower Yorkshire Supply Limited).

Now that the Alternative Mod P7 has been approved, the Alternative Mod P55 appears superfluous. However, it would appear that the issue re responsibility for Metering Equipment in the situation where the Export I registered in CVA still remains. Therefore, would it not be more appropriate to recommend the Proposed Modification?

Best regards,

Richard Harrison  
Npower Finance - Commercial Services  
NETA & BSC Issues Manager  
Tel 07989-494374 (mobile)  
E-mail: richard.harrison@npower.com  
(NB please do not confuse with other Richard Harrison at Innogy)

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#### **P55\_MR\_006 – Powergen**

##### **P55 Report Comments**

I am writing in response to the consultation on the above draft modification report. This response is made on behalf of Powergen UK plc, Powergen Retail Limited, Diamond Power Generation Limited and Cottam Development Centre Limited.

The report rightly concludes that the alternative proposal for P55 is a variant of proposal P7 and would largely be redundant should P7 be approved by the Authority. We therefore believe that, as the Authority has now ruled that P7 should indeed be implemented, both P55 and the alternative proposal should be rejected.

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#### **P55\_MR\_007 – 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.

Further to your note of 28th January 2002, and the associated Modification Report, we believe that in the light of the Authority's recent acceptance of Modification P07 it appears that the need for the proposed Modification P55 has been removed.

Accordingly we would like the Panel to recommend to the Authority that both the Proposed Modification P55 and the Alternative Modification P55 be rejected. To continue to progress this Modification P55 through the BSC consultation process would, in our opinion, be a waste of industry time, effort and money. If it subsequently turns out that the issues that have given rise to P55 are not addressed by the acceptance of Modification P07, then a new Modification can be raised at a future date.

Regards  
Garth Graham  
Scottish & Southern Energy plc

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#### **P55\_MR\_008 – ScottishPower UK plc**

##### **Modification Proposal P55 - Consultation on Draft Modification Report Response**

After further consideration of P55, and in view of the Authority's decision to approve P7, we now believe that P55 Alternative (which we supported previously) is no longer necessary, as P7 will fulfill this need of the consolidators. We also believe that P55 original will be difficult to proceed due to the cost of re-registrations, multiple agents for one metering system, etc.

Also in view of the impending progress of P67 which gives further facilities to embedded generators, we therefore suggested that both P55 Original and Alternative be recommended for rejection by the Authority.

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: - *ScottishPower UK Plc.; SP Manweb Plc.; ScottishPower Energy Trading Ltd.; ScottishPower Generation Ltd.; Scottish Power Energy Retail Ltd.; Emerald Power Generation Ltd.; SP Transmission Ltd.*

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### **P55\_MR\_009 – LE Group**

#### **Response from LE Group – 04 February 2002**

We would agree that solutions that open the scope for embedded generators to sell their output are to be encouraged. We now know that the Authority has directed that 'P7 Alternative' should be made. In this case we understand that 'P55 Alternative' becomes unnecessary and so we can not see a case for any further work on this.

We do believe that the original proposal for P55 is the more robust solution, because it facilitates separate trading of export and import. Only in this way can an Exemptable Generating Plant be sure of seeing the gross value of its output.

However, we also understand that the Proposer of P55 has a Supply Licence and would be satisfied by either P55 Alternative or P7 Alternative (which is to be implemented).

We have no feel for the demand for a more robust solution. Therefore we would wish to see a priority case made for 'P55 Original' before work on it continued.

This response is made on behalf of the following BSC Parties: London Electricity plc, SWEB Ltd, Jade Power Generation Ltd and Sutton Bridge Power Ltd.

Liz Anderson  
Energy Strategy & Regulation Manager  
London Electricity Group.  
04 February 2002

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### **P55\_MR\_010 – Vattenfall**

#### **P55 BSC Conflicts with Consolidation of Embedded Generation in CVA**

The original objectives of P55 were to remove the technical barriers and inconsistent BSC clauses that prevented embedded benefits being fully and efficiently realised. In particular, LEG metering systems could not be split between CMRS and SMRS and also LEG Trading Units could not be formed without registering all of their meters in CMRS. However, similar objectives were being sought via P7 Alternative Modification that has recently been approved by OFGEM. This modification improves the

ability for LEGs to realise their embedded benefits by allowing any grouping of Supplier BM Units and centrally registered LEG BM Units within the same GSP Group to form a Trading Unit.

Consequently, as the original objectives of P55 have been satisfied we believe that P07 should not be progressed further at this stage.

Best Regards

Ian Daly, Trading Services Manager

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