

December 2001

**ASSESSMENT REPORT
MODIFICATION PROPOSAL P043**

**Provision of Annualised Advance and
Estimated Annual Consumption Data**

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

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I DOCUMENT CONTROL

a Authorities

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b Distribution

Name	Organisation
BSC Panel	
BSC Parties	
BSC Agents	
The Authority	
National Electricity Consumers Council	
Core Industry Document Owners	
BSC Website	

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1 SUMMARY AND RECOMMENDATIONS

See the associated document 'P43_Summary' for the Summary and Recommendations.

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, at www.elexon.co.uk.

3 PURPOSE AND SCOPE OF THE REPORT

BSC Section F sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'. These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications.

The BSC Panel is charged with supervising and implementing the modification procedures. ELEXON provides the secretariat and other advice, support and resource required by the Panel for this purpose. In addition, if a modification to the Code is approved or directed by the Authority, ELEXON is responsible for overseeing the implementation of that amendment (including any consequential changes to systems, procedures and documentation).

The Panel may decide to submit a Modification Proposal to an 'Assessment Procedure'¹. Under this procedure, a Modification Group is tasked with undertaking a detailed assessment of the proposal to evaluate whether it better facilitates achievement of the Applicable BSC Objectives². The group may also develop an alternative proposal if it believes that the alternative would better facilitate achievement of the objectives.

The Modification Group must prepare a report for the Panel, setting out the results of the assessment of the modification proposal and any alternative. The following matters should be included (to the extent applicable to the proposal in question)³:

- (a) an analysis of and the views and rationale of the Modification Group as to whether (and, if so, to what extent) the Proposed Modification would better facilitate achievement of the Applicable BSC Objective(s);
- (b) a description and analysis of any Alternative Modification developed by the Modification Group which, as compared with the Proposed Modification, would better facilitate achievement of the Applicable BSC Objective(s) and the views and rationale of the Group in respect thereof;
- (c) an assessment or estimate (as the case may be) of:
 - (i) the impact of the Proposed Modification and any Alternative Modification on BSC Systems;
 - (ii) any changes and/or developments which would be required to BSC Systems in order to give effect to the Proposed Modification and any Alternative Modification;
 - (iii) the total development and capital costs of making the changes and/or delivering the developments referred to in paragraph (ii);
 - (iv) the time period required for the design, build and delivery of the changes and/or developments referred to in paragraph (ii);
 - (v) the increase or decrease in the payments due under the BSC Agent Contracts in consequence of the Proposed Modification and any Alternative Modification;
 - (vi) the additional payments (if different from those referred to in paragraph (v)) due in connection with the operation and maintenance of the changes and/or

¹ See BSC F2.6

² As defined in the Transmission Licence

³ See BSC F2.6.4 and Annex F-1

developments to BSC Systems as a result of the Proposed Modification and any Alternative Modification;

- (vii) any other costs or liabilities associated with BSC Systems attributable to the Proposed Modification and any Alternative Modification;
- (d) an assessment of:
- (i) the impact of the Proposed Modification and any Alternative Modification on the Core Industry Documents;
 - (ii) the changes which would be required to the Core Industry Documents in order to give effect to the Proposed Modification and any Alternative Modification;
 - (iii) the mechanism and likely timescale for the making of the changes referred to in paragraph (ii);
 - (iv) the changes and/or developments which would be required to central computer systems and processes used in connection with the operation of arrangements established under the Core Industry Documents;
 - (v) the mechanism and likely timescale for the making of the changes referred to in paragraph (iv);
 - (vi) an estimate of the costs associated with making and delivering the changes referred to in paragraphs (ii) and (iv),
- together with a summary of representations in relation to such matters;
- (e) an assessment of:
- (i) the likely increase or decrease in BSC Costs (to the extent not already taken into account in paragraph (c) above) in consequence of the Proposed Modification and any Alternative Modification;
 - (ii) the changes required to Systems and processes of BSCCo in order to give effect to the Proposed Modification and any Alternative Modification; and
 - (iii) the BSC Costs which are expected to be attributable to the implementation of the Proposed Modification and any Alternative Modification, to the extent not taken into account under any other provision above;
- (f) to the extent such information is available to the Modification Group, an assessment of the impact of the Proposed Modification and any Alternative Modification on Parties in general (or classes of Parties in general) and Party Agents in general, including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating costs associated with implementing the changes to the Code and to Core Industry Documents;
- (g) an assessment of the Proposed Modification and any Alternative Modification in the context of the statutory, regulatory and contractual framework within which the Code sits (taking account of relevant utilities, competition and financial services legislation);
- (h) a summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Proposed Modification and any

Alternative Modification and the views and comments of the Modification Group in respect thereof;

- (i) a summary of the analysis and impact assessment prepared by the Transmission Company and the views and comments of the Modification Group in respect thereof;
- (j) a summary of the impact assessment prepared by relevant BSC Agents and the views and comments of the Modification Group in respect thereof;
- (k) a summary of any impact assessment prepared by Core Industry Document Owners and the views and comments of the Modification Group in respect thereof;
- (l) a copy of the terms of reference and any report or analysis of external consultants or advisers engaged in respect thereof;
- (m) a list of the key assumptions which the Modification Group has made in formulating its views;
- (n) any other matters required by the terms of reference of such Modification Group;
- (o) any other matters which the Modification Group consider should properly be brought to the attention of the Panel to assist the Panel in forming a view as to whether the Proposed Modification and any Alternative Modification would better facilitate achievement of the Applicable BSC Objective(s);
- (p) subject to paragraph 2.6.8 and 2.6.9 of Section F of the BSC, the proposed text to modify the Code in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Code which would be affected by the changes;
- (q) the Modification Group's proposed Implementation Date(s) for implementation (subject to the consent of the Authority) of the Proposed Modification and any Alternative Modification;
- (r) an executive summary of the project brief prepared by BSCCo;
- (s) a recommendation (where applicable) as to whether, if the Proposed Modification or Alternative Modification is approved, Settlement Runs and Volume Allocation Runs carried out after the Implementation Date of such Approved Modification in respect of Settlement Days prior to that date should be carried out taking account of such Approved Modification or not;
- (t) the proposed text (if any) to modify the Memorandum and Articles of Association of BSCCo and/or the BSC Clearer in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Memorandum and Articles of Association and/or the Code which would be affected by the changes; and
- (u) a summary of any changes which would be required to Code Subsidiary Documents as a consequence of such Proposed Modification or Alternative Modification.

This Assessment Report therefore addresses all of the above items to the extent relevant to the Modification Proposal in question.

4 MODIFICATION GROUP DETAILS

This Assessment Report has been prepared by the Volume Allocation Modification Group. The Membership of the Modification Group was as follows:

Peter Davies/Justin Andrews	ELEXON (Chairman)
Graham Smith	Western Power Distribution (S West) (Proposer)
Bob Brown	St Clements
Rob Cullender	British Gas Trading
Richard Harrison	NPower
Paul Jones	Powergen
Neil Magill	Scottish Power
Chris Pooley	Campbell Carr
Phil Russell	TXU-Europe
Colin Garland/Jerome Williams	OFGEM
Clare Talbot	NGC
John Lucas	ELEXON
David McNair	ELEXON (Secretary)

In Attendance:

Richard Grimsey	ELEXON (P043 Lead Analyst)
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5 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

5.1 The Proposed Modification

Modification Proposal P43 was submitted on 1 October 2001 by Western Power Distribution (S West). The Modification Proposal seeks to modify the BSC, relevant Code Subsidiary Documents and other Configurable Items so that NHHDCs send Metering System AA and EAC data additionally to the Relevant PDSO.

Section S, paragraph 2.3.2 (i), and Annex S-2, paragraph 4.3 1 (i), of the BSC require the NHHDC to provide validated Metered Data and Metering System reports to the relevant Supplier and the Relevant PDSO. The reference to validated Metered Data covers the provision of meter readings to PDSOs. However, the BSC is unclear as to which specific Metering System reports are to be sent to the PDSO and as to whether this includes EAC and AA data.

BSCP504 'Non-Half Hourly Data Collection for SVA Metering Systems Registered in SMRS', PSL120 'Non Half Hourly Data Collection', the SVA Data Catalogue and the MRA Data Transfer Catalogue refer to the NHHDC sending a D0019 data flow containing AA and EAC data to the NHHDA and the relevant Supplier. The relevant PDSO is not a recipient of this data flow.

The Modification Proposal states that, following separation of the Supply and Distribution Businesses, the PDSO no longer has access to AA and EAC data. The PDSO requires an accurate forecast of consumption to enable it to calculate loading on its network and to forecast demand. The Modification Proposal suggests amending the BSC so as to require the NHHDC to send AA and EAC data additionally to the PDSO and the Supplier. This would also require modifications to BSCP504, PSL120, the SVA Data Catalogue and the MRA Data Transfer Catalogue to require the NHHDC to send AA and EAC data to the PDSO as well as to the relevant NHHDA and the relevant Supplier. No changes would be required to BSC Systems.

5.2 Possible Alternatives

The Modification Group identified two possible alternatives to the provision of AA and EAC data. One was for NHHDCs or NHHDA to provide PDSOs with a regular 'snapshot' of AA and EAC data, e.g. monthly, quarterly or annually, rather than PDSOs being sent the EAC/AA data in the standard D0019 data file (see above). This would require changes to Section S and Annex S-2 of the BSC as well as requiring modifications to BSCP504, PSL120, the SVA Data Catalogue and the MRA Data Transfer Catalogue.

The other alternative was for PDSOs to install their own metering systems at feeder level in their own networks. This alternative would require no changes to the BSC, Code Subsidiary Documents or BSC Systems.

5.3 Consultation and Impact Assessment

Following their first meeting on 25 October 2001, the Modification Group prepared a consultation and impact assessment questionnaire that was issued to all interested parties. The responses to the consultation and impact assessment are shown in Annex 7 and summarised in Attachments 1 and 2.

Although some Parties did express some support for the Modification Proposal, there was no strong support for the Modification Proposal and the majority of responses were unsure as to whether the Modification Proposal fell within the remit of the BSC or whether it would better facilitate achievement of the Applicable BSC Objectives. The majority of responses also stated that the Modification Proposal would benefit PDSOs and that the costs of providing the AA and EAC data should be paid by PDSOs. Similar responses were received for the potential two alternatives.

5.4 The Applicable BSC Objectives

The Applicable Code Objectives are set out in paragraph 3 of Condition C3 of the Transmission Licence and are as follows:

- (a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;
- (b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;
- (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;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

The Modification Group had received legal advice about whether the Modification Proposal fell within the remit of the Applicable BSC Objectives. The legal advice was that the Modification Group and the Panel had to make their recommendations to the Authority with reference to the Applicable BSC Objectives and that a Modification Proposal could only be made to the BSC if it would better achieve the Applicable BSC Objectives. The Applicable BSC Objectives did not specifically refer to benefiting distribution businesses. However Objective C3 3(c) did refer to promoting effective competition in the generation and supply of electricity. It was arguable, therefore, that the increased publication of this information and increased transparency would promote effective competition. In addition, Objective C3 3(d) referred to efficiency in the implementation and administration of the BSC that could also be helped by added transparency. However, the Modification Group and the Panel had no remit to look beyond the Applicable BSC Objectives.

5.5 Modification Group Assessment

Following receipt of the responses to the consultation and impact assessment, the Modification Group held a further meeting on 26 November 2001 to assess the Modification Proposal in the light of these responses and the legal advice received.

The Modification Group recognised that some PDSOs would benefit from implementation of the Modification Proposal. However, the result of the consultation responses showed that, although some PDSOs did support the provision of AA and EAC data, there was no strong support for such provision. In addition, the consultation responses also showed that the majority of those responding felt that the main beneficiaries of the Modification Proposal and the possible alternatives were the PDSOs. Further, the responses also showed an even stronger majority in favour of the costs of providing the AA and EAC data being born by the PDSOs. In the Modification Group's view, these responses tended to show that the Modification Proposal and the possible alternatives were of benefit to the Distribution Businesses and were, therefore, outside the scope of the BSC and the Applicable BSC

Objectives. The Modification Group did not feel that an Alternative Modification could be identified.

The Modification Group considered three questions concerning the Modification Proposal. These were: -

- Would the Modification Proposal reduce distribution costs;
- Would any such reduction in distribution costs result in lower Distribution Use of System (DUoS) charges; and
- Would any such reduction in DUoS charges better facilitate achievement of the Applicable BSC Objectives.

The Modification Group felt that the Modification Proposal could possibly lead to reduced distribution costs but there was no strong evidence to support this. However, the Modification Group thought that even if there were reduced distribution costs they would not necessarily lead to lower DUoS charges. The Modification Group also felt that it was unclear as to whether the Modification Proposal would better facilitate achievement of the Applicable BSC Objectives.

In the light of the consultation responses, the legal advice and their own discussions, the Modification Group felt that a recommendation should be made to the Panel that the Modification Proposal should be rejected. However, the Modification Group recognised that, if a PDSO felt that it was necessary to receive AA and EAC data, an alternative route would be for the PDSO to propose a change to their Distribution Use of System Agreement to require Suppliers to provide the data. Any such change would then be applicable to all Suppliers and if a Supplier objected to the proposed change an appeal could be made to the Authority.

6 IMPACT ON BSC AND BSCCO DOCUMENTATION

6.1 BSC

If the Modification Proposal were approved it would require a change to Section S 2.3.2 and Annex S-2 to require NHHDCs to send EAC and AA data to PDSOs.

6.2 Code Subsidiary Documents

If the Modification Proposal were approved it would require changes to PSL120, BSCP540 and the SVA Data Catalogue to include the provision of EAC and AA data by NHHDCs to PDSOs.

6.3 BSCCo Memorandum and Articles of Association

This Modification Proposal will have no impact on the BSCCo Memorandum and Articles of Association.

7 IMPACT ON BSC SYSTEMS

7.1 Registration

No impact identified.

7.2 Contract Notification

No impact identified.

7.3 Credit Checking Systems

No impact identified.

7.4 Balancing Mechanism Activities

No impact identified.

7.5 Collection and Aggregation of Metered Data

No impact identified.

7.6 Supplier Volume Allocation

No impact identified.

7.7 Settlement

No impact identified.

7.8 Clearing, Invoicing and Payment

No impact identified.

7.9 Reporting

No impact identified.

8 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS

8.1 Grid Code

No impact identified

8.2 Master Connection and Use of System Agreement (MCUSA)

No impact identified

8.3 Supplemental Agreements

No impact identified

8.4 Ancillary Services Agreements (ASAs)

No impact identified

8.5 Master Registration Agreement (MRA)

No impact identified

8.6 Data Transfer Services Agreement (DTSA)

No impact identified

8.7 British Grid Systems Agreement (BGSA)

No impact identified

8.8 Use of Interconnector Agreement

No impact identified

8.9 Pooling and Settlement Agreement (PSA)

No impact identified

8.10 Settlement Agreement for Scotland (SAS)

No impact identified⁴

8.11 Distribution Codes

No impact identified

8.12 Distribution Use of System Agreements (DUoSAs)

No impact identified

⁴ Strictly speaking, Modification Proposal P43 relates purely to the BSC, and has no impact on the Settlement Agreement for Scotland (SAS). However, it should be noted that the SAS includes Trading Arrangements very similar to those in Section S of the BSC. If Modification Proposal P43 were to be approved, SESL and the Scottish Modification Panel might well choose to consider whether a similar change should be made to the SAS. However, this would be done under the Scottish change control procedures, outside the scope of the BSC.

8.13 Distribution Connection Agreements

No impact identified

9 IMPACT ON ELEXON

The Group considered the likely increase or decrease in BSC Costs in consequence of the Modification Proposal and concluded that the Modification Proposal would not lead to a significant increase in BSC Costs.

10 IMPACT ON PARTIES AND PARTY AGENTS

10.1 Parties

No impact identified.

10.2 Party Agents

If the Modification Proposal were to be implemented there would be an impact on NHHDCs.

11 LEGAL ISSUES

There are no legal issues associated with this Modification Proposal.

12 SUMMARY OF REPRESENTATIONS

This section summarises the responses to the consultation and impact assessment. Copies of the detailed responses are included in Annex 7 and summarised in Attachments 1 and 2.

12 responses, representing 39 Parties, were received to the consultation, and 14 responses, representing 34 Parties, were received to the impact assessment.

Although some Parties did express some support for the Modification Proposal, there was no strong support and the majority of responses were unsure as to whether the Modification Proposal fell within the remit of the BSC or whether it would better facilitate achievement of the Applicable BSC Objectives. The majority of responses stated that the Modification Proposal would benefit PDSOs and that PDSOs should pay the costs of providing the AA and EAC data. Similar responses were received for the possible two alternatives.

13 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

No impact assessment was received from the Transmission Company.

14 PROJECT BRIEF

As the Modification Group has recommended rejection of the Modification Proposal, no Project Brief has been prepared. However, if the Modification Proposal were approved changes would be required to Code Subsidiary Documents, the MRA DTC and ELEXON documents and processes. This would involve up to 21 man-days of resources and require a joint change procedure with MRASCo.

ANNEX 1 – PROPOSED TEXT TO MODIFY THE BSC

As the Modification Group has recommended rejection of the Modification Proposal, no legal text has been drafted. However, if the Modification Proposal were approved it would require a change to Section S 2.3.2 and Annex S-2, paragraph 4.3.1 (h) to require NHHDCs to send EAC and AA data to PDSOs.

ANNEX 2 – PROPOSED TEXT TO MODIFY BSCCO MEMORANDUM AND ARTICLES OF ASSOCIATION

No change required.

ANNEX 3 – BSC AGENT IMPACT ASSESSMENTS

No impact assessment was received from BSC Agents.

ANNEX 4 – CORE INDUSTRY DOCUMENT IMPACT ASSESSMENTS

No impact assessments were received.

ANNEX 5 – TRANSMISSION COMPANY ANALYSIS

No Transmission Company analysis was received.

ANNEX 6 – TERMS OF REFERENCE AND REPORT/ANALYSIS OF EXTERNAL CONSULTANTS/ADVISERS

No report or analysis was commissioned or received from external consultants or advisers.

ANNEX 7 – RESPONSES TO CONSULTATION AND IMPACT ASSESSMENT

See the associated document 'P45_Annex 7' for the responses to the consultation and impact assessment.