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MODIFICATION REPORT
MODIFICATION PROPOSAL P41
Allocation of individual NHH MPANs
to different BM Units

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

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b Distribution

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The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and discussion undertaken in respect of this Modification Proposal during the Definition Procedure, and the resultant findings of this report, the BSC Panel recommends that:

- **Modification Proposal P41 should be rejected.**

1.2 Background

Modification Proposal P41 was submitted on 27 September 2001 by Utility Link Ltd. The Modification Proposal seeks to modify the BSC, relevant Code Subsidiary Documents and other Configurable Items so that Suppliers can allocate specific Non Half Hourly Metering Systems to specific BM Units. At present this functionality only exists for Half Hourly Metering Systems, although Suppliers can allocate whole groups of Non Half Hourly Metering Systems that belong to specific Profile Classes and Standard Settlement Configurations.

The 18 October 2001 Panel meeting agreed that the Modification Proposal should be submitted to the Definition Procedure and agreed to the establishment of the Volume Allocation Modification Group. The Modification Group resolved the definition issues and prepared a Definition Report that recommended that the Modification Proposal should be submitted to the Report Phase (in accordance with BSC Section F 2.5.9 (c)) with a recommendation that it be Rejected.

The Panel considered the Definition Report (which can be found on the BSC website at www.elexon.co.uk) at its meeting on 13 December 2001. It also considered a letter from the Proposer, addressed directly to the Panel, which stated that in their opinion the Modification Proposal should go to the Assessment Procedure.

The Panel agreed (by a majority decision) that the Modification Proposal should proceed directly to the Report Phase with a recommendation to the Authority that the Modification Proposal should be rejected.

1.3 Rationale for Recommendations

The Panel endorsed the Modification Group's conclusions that the Modification Proposal would not better facilitate the Applicable BSC objectives as set out in Conditions C3(3) of the Transmission Licence. The Panel accepted the Modifications Group's opinion that the desired functionality proposed by this Modification Proposal could alternatively be achieved by Suppliers implementing their own solutions outside of the BSC (rather than modifying the BSC Systems). The Panel also noted that the consultation responses indicated that the likely Supplier take-up of the facility proposed by this Modification Proposal would be very limited and that the majority of responses disagreed with the Proposer's argument that the Modification Proposal would help facilitate competition.

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. This document should be read in conjunction with the Definition Report for Modification Proposal P41 which may also 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).

A Modification Report must be prepared and submitted to the Authority in respect of each proposed modification and must contain:

- (a) The recommendation of the Panel as to whether or not the Proposed Modification or any Alternative Modification should be made;
- (b) The proposed Implementation Date for implementation of the Proposed Modification or any Alternative Modification;
- (c) The matters set out in Annex F-1 of the BSC. This will usually be in the form of the relevant Assessment Report where the Proposal has been submitted to a Modification Group prior to the Report Phase;
- (d) An explanation of the Panel's rationale should the Panel form a different view of any matters contained in the Modification Group Report; and
- (e) 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.

4 HISTORY OF PROPOSED MODIFICATION

Modification Proposal P41 'Allocation of individual NHH MPANs to different BM Units' was submitted on 27th September 2001 by Utility Link Ltd.

An Initial Written Assessment (IWA) was prepared by ELEXON and presented to the Panel on 18 October 2001. The Panel agreed that a Definition Procedure should be undertaken with respect to Modification Proposal P41 and that a new Modification Group be formed to undertake the exercise. In addition, the Panel directed that the Modification Group should consider and include in the Definition Report (and/or subsequent Assessment Report):

- i) An assessment of the extent to which the Modification Proposal facilitates the Applicable BSC Objectives
- ii) Alternative solutions to the issues raised by the Modification Proposal (including possible solutions outside the scope of the BSC and its supporting systems)
- iii) An assessment of which Parties would benefit from the Modification Proposal, and (in light of the Applicable BSC Objectives), recommendations on how the cost of any required changes to central systems might be recovered
- iv) An assessment of the potential Supplier take-up of this Modification Proposal should it be implemented

A meeting of the Modification Group was held on 25th October 2001, to discuss the definition issues raised by the Modification Proposal P41 and consider the Panel's additional Terms of Reference. The Modification Group noted a written statement from the Proposer stating his views, as he was unable to attend.

A P41 Definition Consultation Paper was issued on 5th November 2001 to all interested Parties. The paper included a questionnaire asking Parties their opinion of the P41 definition issues, the Proposer's rationale and list of beneficiaries for the Modification Proposal, and the likely take-up of this Modification Proposal should it be implemented.

The Modification Group met on 22nd November 2001 to review the results of the consultation responses and to resolve the outstanding P41 definition issues. The Modification Group noted a written statement from the Proposer stating his views, as he was unable to attend.

ELEXON prepared, on behalf of the Modification Group, a Definition Report which was submitted to the Panel meeting on 13 December 2001. The Definition Report resolved the outstanding definition issues and concluded that the Modification Proposal did not better facilitate achievement of the applicable BSC Objectives and that the Modification Proposal should be Rejected.

The Panel meeting on 13 December 2001 considered the Definition Report. The Panel agreed (by a majority decision) that the Modification Proposal should proceed directly to the Report Phase with a recommendation to the Authority that the Modification Proposal should be Rejected.

5 DESCRIPTION OF PROPOSED MODIFICATION

Modification Proposal P41 was submitted on 27 September 2001 by Utility Link Ltd. The Modification Proposal seeks to modify the BSC, relevant Code Subsidiary Documents and other Configurable Items so that Suppliers can allocate specific Non Half Hourly Metering Systems to specific BM Units. At present this functionality only exists for Half Hourly Metering Systems, although Suppliers can allocate whole groups of Non Half Hourly Metering Systems that belong to specific Profile Classes and Standard Settlement Configurations.

The key definition issues clarified during the Definition Procedure are that the Modification Proposal would be:

- defined to be similar in style to the existing Half Hourly facility;
- optional for NHHDA's as to whether they supported it or not;
- defined to allow individual Non Half Hourly Metering Systems to be allocated to the same BM Unit as a Half Hourly Metering System;
- optional for Suppliers whether they continued to take the existing files from NHHDA and SVAA, or the revised files introduced to support this Modification Proposal;

The definition of the BM Unit would not be modified by this Modification Proposal, i.e. it would still be bounded by the GSP Group.

6 RATIONALE FOR PANEL RECOMMENDATIONS

The Panel supported the Modification Group's recommendations (see Definition Report) that the Modification Proposal would not better facilitate achievement of the applicable BSC Objectives (c) and (d).

The Panel agreed that most of the benefits of the Modification Proposal could already be achieved, without any amendment to the BSC, by Suppliers using their own systems to keep track of the profiled demand of groups of Non Half Hourly customers. The Panel noted that it was possible that the Modification Proposal could make it easier to keep account of and trade the metered volumes of groups of Non Half Hourly meters, however it agreed with the consultation responses that the additional benefits provided by this would be minimal or non-existent for the majority of Suppliers.

No consultation response supported the Modification Proposal, and no Party stated they would use it if it were implemented. Therefore the Panel agreed that the Modification Proposal would not help to promote effective competition in the supply and generation of electricity.

The Panel agreed that it was clear that implementation of the Modification Proposal would require significant change to the ELEXON-developed Supplier Volume Allocation Agent (SVAA) and Non Half Hourly Data Aggregation Agent (NHHDA) systems (although no formal impact assessment has been carried out). To carry out such a development, where the benefits arising from it are minimal or non-existent, would clearly not help promote efficiency in the implementation and administration of the balancing and settlement arrangements.

The Panel observed that all the consultation responses received were from large established organisations and none were received from small new entrant organisations, i.e. the ones more likely to benefit from the Modification Proposal. The Panel expressed concern that 'small players' had not contributed to the debate for this Modification Proposal but noted that the 'due process' of consultation had been followed by the Modification Group, and that the lack of support from interested Parties had contributed to Modification Group's recommendation.

7 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

The Panel has recommended Rejection of the Modification Proposal after discussing the Modification Group's Definition Report and its recommendations. In accordance with BSC Section F paragraph 2.7.3, the Panel has consulted with the Authority, which has agreed that no legal text for the Modification Proposal should be commissioned.

8 ASSESSMENT

No detailed level assessment for this Modification Proposal has been conducted as the Panel has decided to proceed directly from the Definition Procedure to the Report Phase with a recommendation that this Modification Proposal be Rejected (in accordance with BSC Section F 2.5.9 (C)).

9 SUMMARY OF REPRESENTATIONS

[Insert summary of responses to consultation on Draft Modification Report. Insert copies at Annex 1.]

ANNEX 1 – REPRESENTATIONS

[Insert copies of representations on Draft Modification Report]