

October 2001

Modification Proposal P041 Definition Consultation Paper

**MODIFICATION PROPOSAL P41 – New facility to allow
Suppliers to Allocate specific NHH MPANs to specific
Registered Additional BM Units**

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I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Signature	Change Reference
0.1		ELEXON Trading		For Review

Version	Date	Reviewer	Signature	Responsibility
0.1	31/10/01	VA Modification Group		For Review

Version	Date	Approver	Signature	Responsibility
1.0	05/11/01	Trading Strategy		

Version	Date	Authorisation	Signature	Responsibility
1.0	05/11/01	Peter Davies		VA Modification Group Chairman

b Distribution

Name	Organisation
VA Modification Group	
Parties	
BSC Parties	
Party Agents	

c Change History

0.1 for ELEXON review and VA Modification Group review

1.0 for Consultation

d Changes Forecast

e Related Documents

f Intellectual Property Rights and Copyright

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1 INTRODUCTION

On the 18 October 2001 the Panel agreed that Modification Proposal P41 should be subjected to the Definition Procedure. As part of this process, a consultation exercise will be undertaken with BSC Parties, to seek their opinion of the definition of the Modification Proposal. This consultation paper forms part of that consultation exercise.

In order to limit the duplication of previously published material BSC Parties are invited to consider this consultation paper in conjunction with the 9 Oct 2001 P41 Initial Written Assessment (IWA). The IWA includes a copy of the original Modification Proposal. An electronic copy of the IWA and this consultation paper can also be found on the BSC website at www.elexon.co.uk.

1.1 Background

Modification Proposal P41 was raised by Utility Link Ltd on the 27 September 2001 and subsequently considered by the Panel on the 18 October 2001, where it was agreed that ELEXON should proceed with a Definition Report. A new Volume Allocation Modification Group (VAMG) was established, from the Supplier Volume Allocation Group (SVG), to produce a Definition Report for the 13 December 2001 Panel meeting. This consultation paper forms part of that Definition Procedure.

The purpose of the Definition Procedure is to define the issues raised by the Modification Proposal in sufficient detail to enable the Panel to determine which of the following options, is most appropriate for this Modification Proposal:

- i. refer the Modification Proposal back to the Modification Group for further analysis;
- ii. submit the Modification Proposal to the Assessment Procedure;
- iii. proceed directly to the Report Phase.

2 MODIFICATION GROUP DETAILS

This Consultation Paper has been prepared by the Volume Allocation Modification Group (VAMG) following a meeting of the group on 25 October 2001. The Membership of the Modification Group was as follows:

Peter Davies	ELEXON (Chairman)
Chris Welby	Utility Link Ltd (Proposer) (Not present at meeting)
Bob Brown	St Clements Services
Rob Cullender	BGT
Richard Harrison	NPower
Paul Jones	Power Gen (Not present at meeting)
Neil Magill	Scottish Power
Chris Pooley	Campbell Carr
Phil Russell	TXU-Europe
Colin Garland	OFGEM
Clare Talbot	NGC
John Lucas	ELEXON
David McNair	ELEXON (Secretary)

In Attendance:

John Walsh	ELEXON (P41 Lead Analyst)
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3 THE PROPOSAL SUMMARISED

Modification Proposal P41 seeks to introduce the facility for Suppliers to allocate a specific NHH MPAN to a specific BM Unit. This feature exists for HH MPANs but Suppliers are currently restricted to only being able to allocate a Profile Class (PC)/Standard Settlement Configuration (SSC) group of NHH MPANs to an alternative Additional BM Unit. The Modification Proposal proposes that both HH and NHH MPAN could be allocated to the same Additional BM Unit.

3.1 Proposer's Rationale for the Modification

The following note has been drafted by ELEXON, after discussion with Chris Welby (the Proposer of P41), and summarises his view of how the Proposal better facilitates the Applicable BSC Objectives.

Utility Link believe that Modification Proposal P41 will facilitate the achievement of the Applicable BSC Objective in 7A(3)(c) of the Transmission Licence in three main ways, as follows:

1. Metered Volume Reallocations for Non Half Hourly Customers

The Proposal would allow Suppliers to use the mechanism of Metered Volume Reallocation Notifications (MVRN) to enter into contracts that transfer imbalance liability for specific groups of Non Half Hourly customers to other BSC Parties. This would facilitate competition in the supply, generation and trade of electricity, by supporting a wide variety of innovative contractual arrangements that are difficult or impossible to achieve under the current Code.

For example:

- It would allow a Supplier to allocate energy volumes for those customers who choose to be supplied by 'Green Energy' to a BSC Party who operates green generation sources, thus facilitating competition in the supply and generation of electricity.
- It would allow a Supplier to allocate the imbalance risk for those Non Half Hourly customers whose demand they found hard to predict to another BSC Party who felt better able to handle the risk, potentially facilitating competition in Supply for such customers.

2. Additional Flexibility for Embedded Generators

The proposal would allow embedded generators and Suppliers more flexibility in choosing which demand customers to allocate to an embedded generator's BM Unit. This would potentially allow more flexibility in the trading of embedded generation, and hence facilitate competition in the generation of electricity.

Embedded generators trading in Supplier Volume Allocation (through a licensed Supplier) potentially have a difficult balance to strike when constructing their BM Units:

- On the one hand, in order to gain maximum embedded benefits, they will typically wish to ensure that the BM Unit to which their plant is allocated is a net consumer (rather than a net producer) in each Settlement Period. They therefore need to ensure that sufficient demand customers are included in the BM Unit.
- On the other hand, unless the demand profiles for these customers are well understood by the generator, the embedded generator will be unable to predict the total output of the BM Unit, which will severely limit their ability to enter into Metered Volume Reallocations with other BSC Parties (e.g. consolidators), or to submit Bids and Offers into the Balancing Mechanism.

Modification Proposal P41 will allow more flexibility in the allocation of demand customers to BM Units, potentially allowing embedded generators to overcome these issues. For example, it would facilitate the creation of community schemes, in which a local community is allocated to the same BM Unit as a local generation source, forming a BM Unit which provides embedded benefits to the generator, whilst allowing the imbalance risk to be passed to another BSC Party through an MVRN.

3. Enhanced Settlement Reporting

Even in those cases where the Supplier did not intend to pass imbalance risk to another Party through an MVRN, the Proposal would allow Suppliers to receive settlement reports showing the total metered volumes for a group of Non Half Hourly Customers. This in itself would provide benefits, such as the following:

- It would facilitate Supply companies entering into partnerships with non-BSC parties to provide suitably branded electricity, making it easier to apportion costs between the various 'Supply' identities. This would increase customer choice, and facilitate competition in the supply of electricity.
- It would facilitate arrangements in which a large multi-site customer took responsibility for sourcing their own contracts with the supplier acting as a facilitator. This would mean more competition in the power exchanges, and potentially reduce cost to industry.

Of course, Suppliers could obtain total metered volumes for groups of Non Half Hourly customers through enhancements to their own systems, without the need for additional BM Units or modifications to BSC Agent systems. However, the Proposer believes that it is more cost-effective and rational to deliver this functionality centrally.

3.1.1 Beneficiaries and development cost allocation (Proposer's view)

The modification seeks to extend to the NHH market what is already available to the HH market. The modification would benefit:

- Suppliers as they would be able to allocate cost more accurately, and seek new opportunities in Supply.
- Embedded & small Generators where an alternative market could be created to that of trading via the BSC
- Traders as it would mean more contracts available to trade as Parties have more BM units
- Generators as an increase in the number of contracts available would provide more choice for them to trade.
- Consolidators as it would provide more opportunity for consolidation.
- Customers as they would have more choice of Suppliers.

Costs should therefore be allocated across all Parties as all 'could' benefit if they seek the opportunities this Modification Proposal offers. It is likely that all Parties would use this facility if it was available.

3.2 VAMG's view of the Modification Proposal (25 October 2001)

The Volume Allocation Modification Group (VAMG) held an initial meeting on the 25 October 2001 to discuss the P41 Modification Proposal. It had the following general comments:

- The VAMG's overall comment was that the BSC was aimed at supporting the Balancing Mechanism, and hence provided reports and facilities for the Supplier at the Supplier level, i.e. that level that is balanced. The Settlement Reports were not intended for any other use.
- The VAMG commented that the main beneficiaries would be Suppliers who had not developed their own internal software to provide similar functionality. They therefore questioned the likely Supplier up-take of this Modification Proposal.

3.2.1 VAMG comment on the Definition Issues raised in the IWA

The VAMG had the following comments with regard to the Definition Issues raised in the P41 Initial Written Assessment (section 13.1):

- The VAMG supported the suggestion that this Modification Proposal should be defined in such a way to both use, and mirror, the existing facilities for HH MPAN BM Unit Registration and Allocation. This would mean that the existing method of Registering BM Units via the CRA and MDDA would still apply (i.e. BSCP 15, BSCP 509, and BSCP 508).
- The VAMG supported the suggestion that this Modification Proposal should be defined in such a way to reuse, in principle, the Notification of BM Unit Allocation (D0297) data flow to Allocate specific NHH MPANs to registered BM Units. This would be subject to the same kind of validation rules as imposed for the HH market, including a check that the file was received before Gate Closure for the first Settlement Period of the Settlement Day on which the allocation becomes effective. (It should however be noted that, in the Half Hourly market, this validation check is required to use the date/time at which the file was received by the NHHDA's Gateway. Although it would be possible to impose the same requirement on the Non Half Hourly market, this would have the disadvantage that gateway timestamps are not visible to the ELEXON-developed NHHDA application, and therefore the functionality could not be delivered as part of the centrally-developed NHHDA application. It is proposed to consider this issue further as part of the Assessment Procedure.)
- The VAMG both noted and supported the proposer's clarification that the definition of the BM Unit would still remain within the GSP Group. (The Transmission Company stated at the meeting that they would not be able to support the Modification if it allowed a single BM Unit to contain metering systems from a larger geographical area than a single GSP Group.)
- The VAMG discussed whether it should be defined as mandatory, or optional, for the NHHDAs to support this Modification Proposal. It noted that the NHHDA application was a common ELEXON developed software application, and it would be easier to implement/maintain if this feature was made mandatory. If it was made optional for NHHDAs, then either two versions of this application would have to be maintained, or its support made 'configurable' within the standard ELEXON application. It was also noted that this modification may have repercussions on NHHDA's systems outside of the ELEXON developed application software. An example of this could be the implications of capturing the 'Gateway receipt time' and passing it through to the NHHDA software (see above). The view of the Group was that it was probably preferable for the Modification Proposal to be

optional for NHHDA (particularly if it does turn out to impose significant additional costs), and the Proposer indicated to the meeting that this would be acceptable to him. However, the Group will reconsider the issue in light of the responses received to the consultation.

- With reference to whether it should be mandatory or optional for NHHDAs to support this Modification Proposal, it should be noted that there is a third option, namely to make this Modification Proposal mandatory but with a defined 'implementation window'. This 'implementation window' would allow NHHDAs to upgrade their systems when it is convenient and avoids the practical problems associated with a 'big bang' upgrade approach that would be required if the Modification Proposal was made mandatory on a specified date. During this 'implementation window' SVAA would have to support both existing and any revised data flows.
- The VAMG took the view that it should be defined as optional for Suppliers, whether they continue to receive either the original Supplier Purchase Matrix Data File (D0041) data flow or a revised SPM Data File further broken down by BM Unit information. (It is anticipated that this would require a mechanism within the NHHDA system to keep track of which file format is required by each Supplier).
- The VAMG both noted and supported the proposer's clarification, that the definition for this Modification Proposal should clearly state that the proposed functionality is in addition to the existing PC/SSC functionality and is not intended to replace it. In terms of precedence, it should be defined that specific NHH MPAN BM Unit Allocation will take precedence over PC/SSC group BM Unit Allocation, which will take precedence over the Base BM Unit Allocation.
- The VAMG supported the suggestion that this Modification Proposal should be defined to allow individual Half Hourly and Non Half Hourly Metering Systems to be allocated to the same Additional BM Unit. It noted that this is consistent with the current functionality, which allows individual Half Hourly Metering Systems and groups of Non Half Hourly Metering Systems (at the PC/SSC level) to be combined in a single Additional BM Unit.

3.2.2 Alternative Solutions proposed by the VAMG

The VAMG suggested that the proposer's problem could be solved by changing Metering equipment from NHH to HH, for those NHH MPANs which need to be allocated to a specific BM Unit. This would enable the existing functionality within the BSC, and its supporting software systems, to be used. However, it should be noted that not all Suppliers have been ELEXON/MRASCo accredited to operate in both the NHH and HH markets.

The VAMG also suggested, that proposer's desired functionality could be achieved by the Supplier developing their own software rather than modifying the BSC and its supporting software systems.

4 VIEWS INVITED

This section of the consultation paper sets out a number of questions that are intended to focus on the issues considered to be key to the definition of this Modification Proposal. It is at the discretion of BSC Parties as to whether they wish to answer all, or only some, of the questions identified in this document.

Please be aware that it is not simply the number of responses supporting a particular view that is of importance but the quality of supporting arguments. Respondents are therefore encouraged, where possible, to explain the rationale behind their thinking.

The actual consultation questions are listed in the enclosed attachment – see Annex 1.

4.1 Responses

BSC Parties are invited to provide responses on the above questions, or other associated matters, to ELEXON by **5 pm on 19 November 2001** (modifications@elexon.co.uk).

Please entitle your email 'P41 Definition Consultation Response'

If you are responding on behalf of more than one company, please list all the companies in your response.

5 NEXT STEPS

Following consideration of responses to this consultation paper, the VAMG will formulate what is believed to be the most appropriate definition of the Modification Proposal. This will be presented in the Definition Report to be submitted to the Panel at its meeting of 13th December 2001.