

December 2001

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

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

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## **1 SUMMARY AND RECOMMENDATIONS**

This has been included as a separate attachment.

## **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](http://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 the 'Definition Procedure'<sup>1</sup>. In such cases, the Panel commissions a Modification Group to define the issues raised by a Modification Proposal in sufficient detail to enable the Panel to determine whether to:

- a) Refer the proposal back to the Modification Group for further analysis; or
- b) Submit the proposal to the Assessment Procedure<sup>2</sup>; or
- c) Proceed directly to the Report Phase<sup>3</sup>.

The Modification Group is therefore tasked with reviewing the Modification Proposal with a view to providing clarification and definition where there is insufficient detail in the proposal to allow the Panel to decide whether to proceed with a detailed evaluation. The Modification Group must prepare a written report for the Panel that sets out the following matters<sup>4</sup>:

- a) An assessment of the issues raised by the Modification Proposal with supporting information and data to explain the effect of such issues by reference to the Applicable BSC Objective(s)<sup>5</sup> and a summary of such assessment;
- b) An analysis of and the views and rationale of the Modification Group as to whether (and, if so, to what extent) the issues raised by the Modification Proposal warrant further assessment and evaluation under the Assessment Procedure;
- c) A detailed summary of the representations made by Parties and interested third parties during any consultation undertaken by the Modification Group and the comments and views of the Modification Group in respect thereof;
- d) A summary of any analysis prepared by the Transmission Company and the comments and views of the Modification Group in respect thereof;
- e) A summary of the analysis prepared by relevant BSC Agents and the comments and views of the Modification Group in respect thereof;
- f) Where applicable, a copy of the terms of reference and a summary of any report or analysis of external consultants or advisers; and
- g) Such other matters as the Panel may require in the terms of reference of the relevant Modification Group.

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<sup>1</sup> See BSC F2.5

<sup>2</sup> See BSC F2.6

<sup>3</sup> See BSC F2.7

<sup>4</sup> See BSC F2.5.4

<sup>5</sup> As defined in the Transmission Licence

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

#### 4 MODIFICATION GROUP DETAILS

This Definition Report has been prepared by the Volume Allocation Modification Group (VAMG). The Membership of the Modification Group was as follows:

Peter Davies/Justin Andrews	ELEXON (Chairman)
Chris Welby	Utility Link Ltd (Proposer)
Bob Brown	St Clements Services
Rob Cullender	BGT
Richard Harrison	NPower
Paul Jones	Power Gen
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:

John Walsh	ELEXON (P41 Lead Analyst)
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## 5 ISSUES RAISED BY THE PROPOSED MODIFICATION

### 5.1 Proposer's Rationale for the Modification

This section has been drafted by ELEXON, after discussion with the Proposer of P41, and summarises the Proposer's 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 C3(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.

#### 5.1.1 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.

## **5.2 VAMG's Initial view of the Modification Proposal**

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:

- BM Units were originally introduced into the BSC to support the Balancing Mechanism. Modification Proposal P41 is intended to facilitate the use of BM Units for other purposes, unrelated to this original intention.
- The main beneficiaries would be Suppliers who had not developed their own internal software to provide similar functionality. Therefore the Modification Group questioned the likely Supplier up-take of this Modification Proposal.

### **5.2.1 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:

- 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 NHHDA's 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 NHHDA's, 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.

- With reference to whether it should be mandatory or optional for NHHDA's 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 NHHDA's 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.

### **5.2.2 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 not require a Modification as existing functionality within the BSC, and its supporting software systems, could 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.

Furthermore, 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. This would not require a Code Modification.

## 6 THE NEED FOR FURTHER ASSESSMENT AND EVALUATION

As described in section 7.2.1 of this report, the Modification Group believe that, even without having gone through an Assessment Procedure, it is already clear that Modification Proposal P41 would not better facilitate achievement of the Applicable BSC Objectives, for the following reasons:

- As described in section 5.1 of this report, the Proposer provided a statement of three ways in which, in his view, the Proposal would better facilitate achievement of the Applicable BSC Objective in condition C3(3)(c) of the Transmission Licence i.e. “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”:
  - i) It would allow Suppliers to submit Metered Volume Reallocation Notifications (MVRN) for particular groups of Non Half Hourly customers, thus facilitating innovative forms of contractual arrangement.
  - ii) It would allow embedded generators and Suppliers more flexibility in choosing which demand customers to allocate to an embedded generator’s BM Unit, potentially allowing more flexibility in the trading of embedded generation.
  - iii) It would provide Suppliers with settlement reports showing the metered volumes for particular groups of Non Half Hourly customers, thus facilitating trade in those customers’ demand.

However, none of the consultation responses expressed any strong support for these arguments, and the majority disagreed outright, or stated that any benefit would be minimal and outweighed by the cost of implementing the change. After reviewing these consultation responses, the Modification Group concluded that:

- i) Almost all of the benefits of the Modification Proposal can 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 meters.
  - ii) Although it is 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, the consultation responses suggest that the additional benefits provided by this would be minimal or non-existent for the majority of Suppliers.
- None of the consultation responses received suggested that any Party supported the Modification Proposal, or would use it if it were implemented. This undermines the Proposer’s argument that P41 would better facilitate achievement of the Applicable BSC Objective in condition C3(3)(c) of the Transmission Licence (i.e. promoting effective competition in the supply and generation of electricity).
  - Although no formal impact assessment has been carried out, it is clear that implementation of P41 would require significant change to the ELEXON-developed Supplier Volume Allocation Agent (SVAA) and Non Half Hourly Data Aggregation Agent (NHHDA) systems. To carry out such a development, where the benefits arising from it are minimal or non-existent, would clearly not better facilitate the achievement of Applicable BSC Objective in condition C3(3)(d) of the Transmission Licence (i.e.

promoting efficiency in the implementation and administration of the balancing and settlement arrangements).

Section F2.5.4 of the BSC states that a Definition Report must provide "the views and rationale of the Modification Group as to whether (and if so, to what extent) the issues raised by the Modification Proposal warrant further assessment and evaluation in accordance with paragraph 2.6 [of Section F of the BSC]". The Volume Allocation Modification Group's view on this matter, in regard to Modification Proposal P41, is as follows:

- Modification Proposal P41 would not (for the reasons listed above) better facilitate the achievement of Applicable BSC Objectives.
- To the extent that certain Suppliers might benefit from being able to account for the profiled energy volumes of groups of Non Half Hourly meters, this would be most rationally and cost-effectively achieved through amendments to the systems of those Suppliers, rather than a Modification to the BSC.
- The issues raised by Modification Proposal P41 do not therefore warrant further assessment and evaluation in accordance with section F2.6 of the BSC.
- Modification Proposal P41 should therefore be submitted to the Report Phase, with a recommendation that it be rejected.

## **7 REPRESENTATIONS BY PARTIES AND INTERESTED THIRD PARTIES**

### **7.1 Summary of Representations**

The Definition Consultation Paper highlighted the issues discussed in the first VAMG meeting and in the Proposer's rationale for the Modification Proposal. The questions raised in this paper were designed for respondents to express their opinion on an issue raised by either by the Proposer or by the VAMG. Responses were received from 8 Companies who represented 37 Parties. All responses received to the questions raised in the P41 Definition Consultation Paper have been included as an Annex to this document (see Annex 3).

The Panel directed VAMG to investigate the likely up-take of this Modification Proposal should it be implemented. All respondents indicated that they would not use this facility if it were available now. However, two respondents indicated that they might possibly use it in the future.

With reference to better facilitating achievement of the Applicable BSC Objectives, the Proposer stated that the Modification Proposal would allow the imbalance risk associated with a given group of Non Half Hourly customers to be transferred to another BSC Party through an MVRN, and that this will have the effect of promoting competition in the supply and generation of electricity. Almost all respondents disagreed that this would promote competition. Most stating that this could be achieved by Suppliers developing their own software solutions rather than modifying central BSC IT systems. Of those that agreed, one suggested that only a few BSC Parties would take advantage of it and they only represented a small volume of electricity.

With reference to better facilitating achievement of the Applicable BSC Objectives, the Proposer stated that the Modification Proposal will allow more flexibility in choosing which demand customers to allocate to the same BM Unit as an embedded generator, and that this will have the effect of promoting competition in the generation of electricity. Almost all respondents disagreed that this would promote competition. Of those respondents that agreed, one questioned by how much and another suggested there were alternative approaches that should be considered.

With reference to better facilitating achievement of the Applicable BSC Objectives, the Proposer stated that the Modification Proposal will allow Suppliers to receive total metered volumes for specified groups of Non Half Hourly customers in their settlement report, and that this will have the effect of promoting competition in the supply of electricity. Almost all respondents disagreed with this statement, most expressing the opinion that this should be done by Suppliers developing their own solutions.

Several respondents stated that the cost of this Modification Proposal is likely to be significant, and that a high-level cost/benefit analysis exercise should be undertaken before it is progressed any further.

Most respondents disagreed with the Proposer's list of perceived beneficiaries of this Modification Proposal. Most objected to the Modification costs being shared amongst all parties. Those that supported cost sharing did so on 'principle' grounds, i.e. charging the proposer for a specific development could set a dangerous precedent which could open up all sorts of problems for the future.

All respondents that expressed a view agreed that the definition of this Modification Proposal should:

- emulate, where possible, the existing design for BM Unit Registration and Specific HH MPAN Allocation.
- state that Specific NHH MPAN BM Unit Allocation should be subject to the same general degree of validation testing as that currently used for HH MPAN BM Unit Allocation.
- state that in order to minimise the impact to Suppliers, it should be optional as to whether they continue to receive the existing data flows from the NHHDA and SVAA, or the revised new ones as a result of this Modification Proposal.
- state that this Modification Proposal should supplement the existing NHH facility to allocate PC/SSC groups of NHH MPANs to specific BM Units.
- state that the order of precedence should be: Specific NHH MPANs, Specific PC/SSC groups of MPANs, Base BM Unit.
- state that it should be possible to allocate HH and NHH MPANs to the same Additional BM Unit.

There was a mixed response to the issue of the 'before Gateway' validation test definition. Most agreed that this should be the NHHDA's Gateway receipt date/time and should not be relaxed.

All respondents that expressed a view stated that it should be optional for NHHDA's as whether they supported this Modification Proposal, or not. There was a mixed response as to whether this Modification Proposal should be introduced with a 'defined date' or with an 'implementation window', if it was made mandatory for NHHDA's.

To the alternative solution that Suppliers could replace their NHH Metering Systems with HH Metering Systems there was a mixed response. It was pointed out that this was not a credible alternative if most Suppliers wanted this facility and decided to switch the user's Metering Systems to be HH. It was also pointed out that this exercise incurred a cost which itself could cancel out any benefit.

All respondents that expressed a view agreed that this Modification Proposal could be achieved by Supplier's implementing their own solutions.

## 7.2 Comments and Views of the Modification Group

The Modification Group, in its second meeting, noted the responses from the P41 Definition Consultation exercise. It also noted the Proposer's email comment on the received responses as he could not attend the meeting.

### 7.2.1 Assessment Against BSC Objectives

As noted in section 5.1 of this report, the view of the P41 Proposer is that the Modification Proposal will facilitate the Applicable BSC Objective in Condition C3(3)(c) of the Transmission Licence (i.e. promoting effective competition in the supply and generation of electricity) in the following ways:

- Allowing Suppliers to submit Metered Volume Reallocation Notifications (MVRN) for particular groups of Non Half Hourly customers, thus facilitating innovative forms of contractual arrangement.
- Allowing embedded generators and Suppliers more flexibility in choosing which demand customers to allocate to an embedded generator's BM Unit, potentially allowing more flexibility in the trading of embedded generation
- Providing Suppliers with settlement reports showing the metered volumes for particular groups of Non Half Hourly customers, thus facilitating trade in those customers' demand.

The Modification Group did agree that, for the reasons identified by the Proposer, Suppliers may well wish to be able to identify separately the energy volumes attributable to certain groups of Non Half Hourly customer. However, they also recognised that there were two possible mechanisms for doing this:

- Changing the central systems, as proposed by P41, in order that they can keep track of the energy assigned to a given group of Non Half Hourly customers, and if required assign that energy to another Party (via an MVRN)
- Changing the systems of Parties, so that they can calculate separate energy totals for given groups of Non Half Hourly customers, and if required allow the (forecast) energy for that group to be traded with another Party.

Clearly one mechanism for establishing which of these routes better facilitated the Applicable BSC Objectives would be to submit the Proposal to the Assessment Procedure. However, in the case of P41, the Group believed that, even without having gone through a formal Assessment Procedure, it was abundantly clear that the Proposal would not better facilitate the achievement of Applicable BSC Objectives, for the following reasons:

- None of the consultation responses received suggested that any Party supported the Modification Proposal, or would use it if it were implemented. This appeared to undermine the Proposer's argument that P41 would facilitate achievement of the Applicable BSC Objective in condition C3(3)(c) of the Transmission Licence (i.e. promoting effective competition in the supply and generation of electricity).
- Although no formal impact assessment has been carried out, it is clear that implementation of P41 would require significant change to the ELEXON-developed Supplier Volume Allocation Agent (SVAA) and Non Half Hourly Data Aggregation Agent (NHHDA) systems. To carry out such a development, where the benefits

arising from it are minimal or non-existent, would clearly not better facilitate achievement of the Applicable BSC Objective in condition C3(3)(d) of the Transmission Licence (i.e. promoting efficiency in the implementation and administration of the balancing and settlement arrangements).

The VAMG therefore came to the following conclusions concerning its Terms of Reference as directed by the Panel:

1. The Modification Proposal does not better facilitate the BSC Objectives as described in the Proposer's Rationale.
2. The Modification Proposal can be implemented by Suppliers developing their own solutions. This does not require a Code Modification.
3. It was accepted that only a few Parties would benefit from this Modification Proposal, however there was no clear decision on cost sharing. There was some support for the approach that the costs should met by specific Parties. However, it was noted that this could set a dangerous precedent, one that could open up all sorts of problems for the future.
4. There was little, or no support, for this Modification Proposal from Parties.

### **7.2.2 Definition Issues**

The VAMG agreed to the following P41 definition:

- It would use the existing Additional BM Units facility.
- It would emulate and use, where possible, the existing design for Allocating HH MPAN to a specific BM Unit.
- It would use the existing mechanism for a Supplier to register their Additional BM Units with CRA, who will notify MDDA who will additionally inform NHHDA and SVAA (BSCP15, BSCP508 and BSCP509).
- It would reuse the existing HH data flow (D0297) to allow Suppliers to allocate specific NHH MPANs to specific BM Units.
- It would set the same kind of validation rules as imposed for the HH market for the Supplier's Notification of BM Unit Allocations by the BSC central systems (i.e. NHHDA).
- It would use the NHHDA's Gateway receipt date/time in the 'before Gateway' validation test for the Supplier's Notification of BM Unit Allocation data flow. This will be reviewed in the assessment stage if a suitable alternative can be identified and the Panel directs that this Modification Proposal should proceed to the Assessment Procedure.
- It would not modify the definition of the BM Unit, i.e. it will still be bounded by the GSP Group.
- It would make NHHDA support for this Modification Proposal optional. This means that SVAA will have to support both the existing Supplier Purchase Matrix Datafile sent from those NHHDAs that do not support this Modification Proposal, and its revised format from those NHHDAs that do support it. The 'defined date'/'implementation window' debate is not relevant in this scenario, but NHHDAs can only support this Modification Proposal once it has been supported by SVAA. The Pool developed NHHDA software application, as

used by all the NHHDA, will have to be modified to optionally support this Modification Proposal.

- It would make it optional for Supplier's whether they continue to take the existing format files from NHHDA (i.e. SPM DataFiles) and SVAA (i.e. Reports), or the revised formats introduced in order to support this Modification Proposal.
- It would make this Modification Proposal supplement the existing facility for Suppliers to allocate specific PC/SSC groups of NHH MPANs to specific BM Units. The rules of precedence will be: Specific NHH MPAN, Specific PC/SSC groups of NHH MPANs, Base BM Unit.
- It would enable individual HH and NHH Metering Systems to use the same Additional BM Unit.

### **7.2.3 Other Possible Solutions**

The VAMG came to the following conclusions concerning alternative P41 solutions (neither of which would require a Code Modification):

- Requesting Suppliers who wish to use the Business functions identified by this Modification Proposal, to replace those affected NHH Metering Systems with HH Metering Systems in order to use the existing HH facility, was accepted as not a viable alternative given the issues raised by the respondents.
- Requesting Suppliers who wish to use the Business functions identified by this Modification Proposal, to develop their own solutions was a viable and acceptable alternative. It also had the added benefit, that those that used these Business functions would directly incur its costs.

### **7.2.4 View of the Proposer**

The Proposer (who could not be present at the second VAMG that reviewed the Definition Consultation responses) having reviewed the responses himself took the view that:

- All the responses came from the large market players who's approach to the market is different from smaller players. This is shown by the fact that some of the responses believe we misunderstand the BSC because we do not trade as they do;
- As the Seeboard response indicates, this modification would be of most benefit to smaller players;
- The Modification Proposal promotes competition by aiding newer market participants, and encouraging new market participants such as Traders (see TXU response). It is true that existing large players may not perceive the same benefits for themselves. With regards to cost, it is an issue for the Assessment Procedure not the Definition Procedure.

However, the VAMG members present took the view that the 'small players' had been consulted by the 'due process' of the Definition Consultation process and that none had responded.

## ANNEX 1 – MODIFICATION PROPOSAL

<b>Modification Proposal</b>	<b>MP No: P41</b> <i>(mandatory by BSCCo)</i>
<b>Title of Modification Proposal</b> <i>(mandatory by proposer):</i> Allocation Of individual NHH Mpans To different BM Units	
<b>Submission Date</b> <i>(mandatory by proposer):</i> 27 September 2001	
<b>Description of Proposed Modification</b> <i>(mandatory by proposer):</i> The Proposed Modification is to allow NHH MPANs to be allocated to specific BM units on a MPAN by MPAN basis as is the case with HH MPANs	
<b>Description of Issue or Defect that Modification Proposal Seeks to Address</b> <i>(mandatory by proposer):</i> Currently the BSC allows parties to allocate HH MPANs where they are the registered Supplier, to a BM unit other than their default BM unit in the appropriate GSP Group. However, in the NHH market it is only possible to allocate a PC/SSC combination to another BM unit, thus making it impossible to group specific MPANs into a specific BM unit for the purposes of allocating against a specific contract or for re-allocation to another BSC party.	
<b>Impact on Code</b> <i>(optional by proposer):</i> Section S 6.2	
<b>Impact on Core Industry Documents</b> <i>(optional by proposer):</i> Various	
<b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b> <i>(optional by proposer):</i> NHHDA & SVAA software and processes	
<b>Impact on other Configurable Items</b> <i>(optional by proposer):</i>	
<b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b> <i>(mandatory by proposer):</i> This modification will allow Suppliers to directly link specific groups of customers to specific contracts, and to recognise where imbalances occur. It will also improve the embedded generation market by allowing an embedded generator to be allocated into the same BM units as specific customers (e.g. regional) as is the case with HH MPANs.  In addition it will also allow Suppliers to seek contracts which cover a single customer with a mixture of HH & NHH sites by allocating them to a single BM Unit and then seeking to reallocate that BM unit to a contracting party.  Over all it will improve parties flexibility to more accurately allocate specific demand to specific contracts or generation. This will allow parties to improve their risk management and seek more cost effective contracts for particular multi-site customers and clearly identify the imbalances on those contracts.	

<b>Modification Proposal</b>	<b>MP No: P41</b> <i>(mandatory by BSCCo)</i>
<b>Details of Proposer:</b> <b>Name:</b> Juliet Davenport <b>Organisation:</b> Utility Link Ltd <b>Telephone Number:</b> 01249 705567 <b>Email Address:</b> juliet.davenport@utility-link.com	
<b>Details of Proposer's Representative:</b> <b>Name:</b> Chris Welby <b>Organisation:</b> Utility Link Ltd <b>Telephone Number:</b> 01249 705559 <b>Email Address:</b> chris.welby@utility-link.com	
<b>Details of Representative's Alternate:</b> <b>Name:</b> <b>Organisation:</b> <b>Telephone Number:</b> <b>Email Address:</b>	
<b>Attachments: NO</b> <b>If Yes, Title and No. of Pages of Each Attachment:</b>	

## **ANNEX 2 – PANEL’S TERMS OF REFERENCE**

### **P41 – Allocation of Individual NHH MPAN to Different BM Units**

The Modification Group shall consider and include in the Definition Report:

- Alternative solutions to the issues raised by the Modification Proposal (including possible solutions outside the scope of the BSC and its supporting systems).
- An assessment of which parties would benefit from the Modification Proposal, and recommendations on how the cost of any required changes to central systems might most appropriately be recovered.
- An assessment of the potential Supplier take-up of this Modification Proposal should it be implemented.

The Modification Group shall consult with any classes of Party Agents (e.g. Non Half Hourly Data Aggregators) who would incur additional costs as a direct result of the solutions considered.

### **ANNEX 3 – P41 DEFINITION CONSULTATION RESPONSES**

This has been included as a separate attachment.