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23 January 2002

The National Grid Company, BSC Signatories and
Other Interested Parties

Your Ref:
Our Ref: MP No: P30

Dear Colleague

Modification to the Balancing and Settlement Code - Decision and Direction in relation to Modification Proposal P30: "Provision of BSC Data to BSC and Non-BSC Parties"

The Gas and Electricity Markets Authority (the "Authority") has carefully considered the issues raised in Modification Proposal P30: "Provision of BSC Data to BSC and Non-BSC Parties".

The Balancing and Settlement Code ("BSC") Panel (the "Panel") recommended to the Authority that the original Modification Proposal, as defined by the Modification Group (the "Group"), should be rejected and that the Alternative Modification Proposal, as developed by the Group, should be accepted. The Panel recommended that the Alternative Modification Proposal should be implemented 9 weeks after it has been approved.

The Authority agrees with the Panel's recommendation and has decided to direct a modification to the BSC.

This letter explains the background to the Modification Proposal and sets out the Authority's reasons for its decision. In addition, the letter contains a direction to The National Grid Company plc ("NGC") to modify the BSC as set out in Alternative Modification Proposal P30.

Background to the proposal

In the half-hourly market, Line Loss Factor (LLF) data is an essential component in the conversion of an Energy Price on the Grid into a delivered price at a customer's premises. Currently, energy buyers, and agents acting on their behalf, are required to obtain LLF data

from the Distribution Businesses individually. The Proposer argued that this process is time-consuming and involves duplication of effort.

In the non-half-hourly market, energy prices are based on the predicted consumption based on load profiles that vary geographically and between different types of customers. Information on load profiles is therefore essential for suppliers and buyers to accurately compare market price quotations. However, access to this data is currently restricted.

The Proposer suggested that making Market Domain Data available to all market participants would enable buyers to have a better understanding of demand patterns. In addition the Proposer suggested making available to all market participants' information on Genset Metered Generation to provide additional market transparency and improved planning.

On 12 July 2001 Utiylix proposed Modification Proposal P30: Provision of BSC Data to BSC and Non-BSC Parties.

The Modification Proposal

Modification Proposal P30 seeks to make Market Domain Data and information on Genset Metered Generation (the Balancing Mechanism Unit Aggregation Report) fully available to Acceded BSC and non-BSC Parties, thereby removing the information asymmetry associated with the existing distribution of this data. The relevant distribution processes would be amended accordingly and the availability of this data to all companies would be subject to reasonable commercial safeguards. The specific data the modification proposes to make available and methods for distribution are as follows:

Market Domain Data (excluding Profiling Regression data)

Market Domain Data relates to Supplier Volume Allocation (SVA) and is provided by the Supplier Volume Allocation Agent (SVAA) to all Parties involved in settlement. Market Domain Data excluding Profiling Regression data is currently sent to BSC Parties either on an ad hoc basis or when the data changes. The data is currently distributed to Parties via the Data Transfer Network where possible and via email for BSC Parties not on the Data Transfer Network. Two versions of Market Domain Data currently exist. The first data flow is the 'Market Domain Data Complete Set' (D0269) and the second data flow is the 'Market Domain Data Incremental Set' (D0270). As the titles of the data flows suggest, the latter is an edited version of the former.

The modification proposes that Market Domain Data would be made available on request to BSC and non-BSC Parties via email or Data Transfer Network. Once a Party submits an initial request for information that Party will remain on the distribution list until a request for

removal is submitted. Therefore, once registered the Party will receive the data flows on an ongoing basis.

With regard to the availability of Profiling Regression data, during the Assessment phase the Group investigated allowing non-BSC Parties access to centrally provided market data. The Market Domain Data excluding Profiling Regression data is covered by ELEXON's Intellectual Property Rights. The proposal to provide Profiling Regression data to any BSC Party that requests it is not in conflict with the BSC, which is silent on the matter. However, the Intellectual Property in the profiles is mainly owned by the Electricity Association Services Limited (EASL) and as such, any proposed distribution beyond its contracted obligation as a BSC Agent is a commercial matter between EASL (the providers of Profiling Regression data) and the requesting party. EASL requires any SVA BSC Party to sign a Confidentiality Undertaking before it can receive the Profiling Regression data. As such, its provision is outside the scope of the BSC. The Group agreed that due to issues with Intellectual Property Rights Profiling Regression, data could not be provided to parties who had not signed the Confidentiality Undertaking with EASL as is currently the case.

Line Loss Factor Data

The Modification Proposal refers to Line Loss Factor (LLF) data as part of the Market Domain Data. However this is not the case as LLF data is currently owned by individual Distribution Businesses. A LLF is a multiplier that converts data from a boundary point on a Distribution System into an equivalent value at the Transmission System boundary. SVA Line Loss Factors apply in respect of each metering system in each Grid Supply Point (GSP). This information is not currently distributed to the industry on a standard basis and any interested parties must approach each Distribution Business to request it from them. The data flow containing this information is the 'Line Loss Data File' (D0265). ELEXON receives the data from individual Distribution Businesses, validates it and then stores the information internally.

The proposed method of making this data available is for it to be published on the ELEXON website. The central collation and distribution of Line Loss Factor data by ELEXON does not require a modification to the BSC and would be managed under the BSCP40 Change Management Process. SVA Line Loss Factor information would be made available on the ELEXON website in summarised format and in compressed raw format (as found in file D0265). The data displayed will cover the period 1 April in the current year to 31 March the following year and will be automatically updated following any changes during the year and the version number of the file number will be incremented. The Group originally envisaged that only a summary LLF data would be made available on the ELEXON website. However, the Panel recommended that the inclusion of a complete set of LLF data (as currently distributed in file D0265) would negate the need for each individual Distribution Business to send out LLF information to each supplier across the Data Transfer Network. If the

Modification Proposal is approved then a Change Proposal could be raised to remove the obligation for Distribution Businesses to send the D0265 dataflow to each Supplier.

Profile Co-efficient information

Profile Co-efficient data are created in Daily Profile Production and distributed in the D0018 data flow on a daily basis via the Data Transfer Network. It consists of a report containing profile coefficients per settlement period and settlement day, by GSP Group, Profile Class and combination of Standard Settlement Configuration and Time Pattern Regime. The Modification Proposal requires that this data be made available to all BSC and non-BSC parties, currently not a recipient of the D0018 data flow.

It is proposed that yearly sets of Profile Coefficient Data would be made available on request to BSC and non-BSC Parties via CD-ROM. The daily D0018 files will be collated and stored on a CD-ROM to provide a data set for the previous year covering the period 1 April to 31 March. The CD-ROM would be provided to the requesting party by 30 April each year. BSC Parties currently receiving this data through the D0018 data flow will continue to receive it in this manner and would not be affected by the implementation of this modification.

Balancing Mechanism Aggregation Report

The BM Unit Aggregation Report provides data on aggregated meter flow volumes for each Balancing Mechanism Unit. This data is sent on an ad-hoc basis to any Acceded Party that requests it via the Low Grade Service or the High Grade Service. The Modification proposes to make the BM Unit Aggregation Report available to both BSC and non-BSC parties. An interested company should be able to request this report for either a specific BM Unit, a set of BM Units or for all BM Units.

In the Assessment process the Group considered the costs and timescales of implementing the Modification Proposal. Although it was agreed that the wider distribution of the BM Unit Aggregation Report would increase market transparency, the Group considered that the implementation costs and increased implementation timescales did not justify the benefits of making this report available to non-BSC Parties. Representatives from non-BSC parties indicated that they would be unwilling to contribute the required capital towards the development of this system on the basis of the costs presented. Therefore the Group proposed an Alternative Modification that differs from the original Modification Proposal in that it does not include in its scope making the Balancing Mechanism Unit Aggregation Report available to all non-BSC Parties. The Group agreed that possible mechanisms for wider distribution of the Balancing Mechanism Unit Aggregation Report could be considered

separately via a subsequent Modification Proposal¹. The Alternative Modification Proposal, therefore, seeks to make available to both BSC and non-BSC Parties SVA Line Loss Factor data; Market Domain Data excluding Profiling Regression data; and Profile Coefficient data.

The Group considered methods of recouping the costs of developing the relevant systems and distributing the required data. The Group considered that non-BSC Parties should not be charged for the publication of the LLF data given that there are no material development or ongoing costs. However, this does not apply to Market Domain Data and Profile Co-efficient Data for which the Group recommended that non-BSC Parties should be exposed to charges.

The Assessment Report for consideration by the Panel contained indications of the development costs and distribution costs associated with the proposals surrounding Market Domain Data flows and Co-efficient Data. The Assessment Report outlined how these costs are to be recouped from non-BSC Parties through non-BSC charges which will apply when a non-BSC Party makes a request for the data set. Upon the initial request for a data set by a non-BSC Party a charging equation would apply which incorporates the cost of individual distribution, ELEXON administration and for part of the development costs. After the initial request by a non-BSC Party, each subsequent request for the relevant data set by the same non-BSC Party would be charged only for the costs of individual distribution of that data set and ELEXON administration.

The Panel met on 18 October 2001 to consider the Assessment Report. The Panel agreed with the Group's recommendation that the original Modification Proposal should be rejected and that the Alternative Modification Proposal should be approved. The Panel determined to proceed to the Report Phase. ELEXON published a draft Modification Report on 6 November 2001 which invited respondents' views.

Respondents' views

In total, ELEXON received 7 responses to the consultation on the draft Modification Report. Of the responses, 5 supported implementation of the Alternative Modification Proposal and rejection of the original Modification Proposal. The remaining 2 respondents did not state a view.

¹ UK Coal Mining Ltd has since submitted Modification Proposal P50, "Distribution of Balancing Mechanism Report Data to Non-BSC Parties". Modification Proposal P50 addresses the issues in connection with the Balancing Mechanism Report Data that were dropped from the scope of Modification Proposal P30 when the decision was taken to progress the Alternative Modification Proposal.

Of the respondents, two commented that they support the principle that non-BSC Parties should contribute towards the costs of provision of the data and the implementation costs of the Alternative Modification Proposal.

Panel's Recommendation

The Panel met on 15 November 2001 and considered Modification Proposal P30, the Modification Report, the views of the Group and the consultation responses received.

The Panel recommended to the Authority that the original Modification Proposal should be rejected and that the Alternative Modification Proposal should be approved. The Panel recommended that if the Alternative Modification Proposal were approved, it should be implemented nine weeks after the Authority determination.

Ofgem's view

Ofgem² considers, having had regard to its statutory duties, that Alternative Modification Proposal P30 will better facilitate the relevant BSC Objective of "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".

Informational asymmetries in access to relevant market information can inhibit effective competition and may lead to distortions in traded markets. Ofgem considers that appropriate market information should be made available to all participants where it is practical and prudent to do so. Ofgem agrees with the Group and the Panel that wider distribution of LLF data, Market Domain Data and Profile Coefficient data will improve market transparency and therefore help promote effective competition.

Ofgem considers that cross-subsidisation is harmful to the development of competitive markets. Ofgem therefore agrees with the Panel that non-BSC members should pay for the costs associated with making Profile Coefficient Data and Market Domain Data available to them. Ofgem also agrees that making SVA Line Loss Factors available to non-BSC Parties should be made available free of charge to non-BSC Parties given that there are no material development or ongoing costs.

Ofgem notes the views of the Group and the Panel that the indicative implementation costs of the original Modification Proposal and specifically the costs of making the Balancing Mechanism Unit Aggregation Report available did not justify the benefits. Ofgem also notes that the Alternative Modification Proposal, which excludes the Balancing Mechanism Unit

² Ofgem is the office of the Authority. The terms "Ofgem" and "the Authority" are used interchangeably in this letter.

Aggregation Report, can be implemented within a shorter time frame than the original Modification Proposal. Ofgem's decision to reject the original Modification Proposal does not in any way prejudice its decision on Modification Proposal P50, which seeks to make the Balancing Mechanism Unit Aggregation Report available to a wider audience.

The Authority's decision

The Authority has therefore decided to reject Modification Proposal P30 as submitted and to direct that the Alternative Modification Proposal P30 should be made and implemented on 27 March 2002.

Direction under Condition C3.5(a) of NGC's Transmission Licence

Having regard to the above, the Authority, in accordance with Condition C3.5(a) of the licence to transmit electricity granted to NGC under Section 6 of the Electricity Act 1989 as amended (the "Transmission Licence"), hereby directs NGC to modify the BSC as set out in the Alternative Modification Proposal P30. A copy of the text of the modification to the BSC is attached to this letter.

The modification is to take effect from 27 March 2002.

In accordance with Condition C3.5(b) of NGC's Transmission Licence, NGC shall modify the BSC in accordance with this direction of the Authority.

Please feel free to contact me on the above number if you have any queries in relation to the issues raised in this letter.

Yours sincerely

Sonia Brown

Head of Electricity Trading Arrangements

Signed on behalf of the Authority and authorised for that purpose by the Authority

Attachment 1

LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

Section V3.2 will be replaced with the following:

3.2.1 Each of Tables 2 to 7 in Annex V-1 sets out:

- (a) the name of each report to be provided by the relevant BSC Agent;
- (b) a summary description of the data to be contained in each such report;
- (c) the frequency with which each such report is to be provided;
- (d) the persons and bodies to which each such report is to be provided.

3.2.2 For the purposes of Tables 2 to 7 in Annex V-1:

- (a) "Relevant Party" indicates that the data in question is to be provided to the Party or Trading Party or Supplier to which the data relates (and not to other Parties, except for BSCCo);
- (b) "Any Party (on request)" indicates that the data in question (irrespective of the Party or Parties to which it relates) is to be provided to any Party which requests receipt of the same pursuant to paragraph 3.2.3;
- (c) "All Suppliers" indicates that the data in question is to be provided to all Suppliers in the GSP Group to which the data relates;
- (d) "Any person (on request)" indicates that, subject to paragraph 3.2.7, the data in question (irrespective of the Party or Parties to which it relates) is to be provided to any person (whether or not a Party) which requests receipt of the same pursuant to paragraph 3.2.3.

3.2.3 In respect of each of the Tables 2 to 7 in Annex V-1 and in relation to all (but not some) of the data for which the 'Recipient' column in any such Table includes:

- (a) 'Any Party (on request)', each Party shall be entitled to receive all such data if it notifies BSCCo to that effect in accordance with BSCP 41;
- (b) 'Any person (on request)', any person shall be entitled, subject to paragraph 3.2.7, to receive all such data if it notifies BSCCo to that effect in accordance with such procedures as BSCCo may establish for such notification.

3.2.4 Tables 2 to 7 provide a general description of the data to be contained in each report; details of the data to be contained in each report are set out in the Reporting Catalogue.

3.2.5 Reports are to be provided:

(a) to Parties by the means specified in Section O;

(b) to persons other than Parties by such means as the Panel may from time to time determine.

3.2.6 Unless otherwise provided in the Code or the Reporting Catalogue, reports at any time provided pursuant to this paragraph 3 contain data relating only to relevant periods for which such data is (at such time) current, as further provided in the Reporting Catalogue.

3.2.7 Where a person who is not a Party requests the provision of data to which it is entitled pursuant to this paragraph 3.2, such data shall not be required to be made available to such person until and unless such person has entered into and remains party to an agreement with BSCCo, in such form as BSCCo with the approval of the Panel may from time to time determine, relating to the provision of such data and providing (inter alia) for the payment or periodic payment by such person to BSCCo of a sum (established and revised from time to time by BSCCo) representing the reasonable costs of providing such data to that person.

Section V4.1.1(b) will be replaced with the following:

(b) an up-to-date list of the following parameters set out in or established and revised from time to time under and in accordance with the Code:

- (i) the Credit Assessment Price determined and revised from time to time by the Panel pursuant to Section M1.4;
- (ii) the Transmission Loss Factors specified in Section T2.2.1(a);
- (iii) the coefficient 'a' specified in Section T2.2.1(b);
- (iv) the Balancing Reserve Level established and revised from time to time by the Panel pursuant to Section T1.5;
- (v) the Line Loss Factors in respect of SVA Metering Systems (or classes of SVA Metering System) approved from time to time by the Panel, or where applicable the default values established in respect thereof, pursuant to Section K1.7 together with a summarised version of such factors (as described in BSCP 528).

3. Annex V-1, Table 7 shall be amended as follows:

The following additional categories of data shall be inserted at the end of Table 7:

Category of Data	Frequency	Recipient	General Description
Profile Data Report	When requested (the data provided relates to the BSC Year preceding that in which the request is made)	Any person (on request)	Report containing profile coefficients per Settlement Period and Settlement Day, by GSP Group, Profile Class and combination of Standard Settlement Configuration and Time Pattern Regime Note: for requests made during the BSC Year ending 31 March 2002, the data will include equivalent data under the Pooling and Settlement Agreement for the period 1 April 2000 to the day before the Go-live Date.
Market Domain Data	All Suppliers : upon registration with the participation capacity of a Supplier; and thereafter whenever updated Any Party or any person (on request): When requested ;and thereafter whenever updated	All Suppliers Any party (on request) Excluding Profiling Regression data: any person (on request)	A report containing those data items (or changes to those items) which relate to Supplier Volume Allocation ,which is distributed by the SVAA in accordance with BSCP 509.

