

## 1. SUMMARY AND RECOMMENDATIONS

### Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal P29 during the Initial Written Assessment Phase, and the resultant findings of this report, the

**BSC Panel recommends that:**

**Modification Proposal P29 should be rejected.**

### Background

Modification Proposal P29 was submitted on 11 July 2001 by Utility Link Ltd. It proposes changes to the PARMS reporting by Suppliers. The proposal says that these changes would reduce Suppliers' costs, and hence would lead to a reduction in a barrier to competition.

ELEXON produced an Initial Written Assessment of the proposal which was presented at the Panel meeting on 26<sup>th</sup> July 2001.

Subsequent to the Panel meeting the Draft Report was sent out for consultation. The responses received supported the Panel's recommendation, with the exception of one "no comment".

The Draft Report was amended to explicitly identify assurances given to the Proposer by the Chairman of the Panel, as requested in the Proposer's response to the consultation.

At its meeting on the 23 August the Panel approved this final Modification Report.

### Rationale for Recommendation

The Panel considered that:

- a. The Modification Proposal would be expected to lead to cost reductions for Suppliers; there would be implementation costs for Supplier Agents, Suppliers, and ELEXON, with ELEXON possibly experiencing some increase in operational costs.
- b. The proposed changes were significant. Their full impact on assurance could not be assessed within the scope of the proposal in isolation. This was because PARMS reporting was a significant component of the overall Performance Assurance Framework.
- c. To implement the proposal in isolation would, therefore, lead to an un-quantified risk to the integrity of settlement.
- d. The risk to the integrity of settlement outweighed the possible cost benefits, and hence the proposal would not make for the better achievement of the Applicable BSC Objectives.
- e. The review of the Performance Assurance Framework (scheduled to begin on 1 September 2001 and to complete in January 2002) would allow the issues raised in the proposal to be considered in the appropriate context, and would allow full consideration of risks, costs, and benefits. Regarding the review, the Panel asked that:

- The terms of reference should be agreed by the Panel.
- The terms of reference should require consideration of industry costs (including the costs of providing data) as well as benefits.(P)
- The terms of reference should state explicitly that the cost impact on small Parties and Agents should be considered.(P)
- Arrangements should be made to allow Industry, including the proposer of the Modification, to be represented in the review process.(P)
- A definitive end date should be given for the review.(P)
- The results of the review should be issued for consultation before any recommendations are implemented.(P)

In the above list, those items marked 'P' reflect assurances given by the Panel Chairman to the Proposer of the Modification.

### ***Panel Decisions***

In the light of the rationale described above and the planned review of the Performance Assurance Framework, the Panel agreed the recommendations in the IWA. The Panel:

- a. **NOTED the results of the Initial Written Assessment on Modification Proposal P29 and associated identified issues;**
- b. **NOTED the views that:**
  - i) **the proposed modification P29 cannot be safely and effectively progressed before the review of the Performance Assurance Framework is complete, and**
  - ii) **to adopt the proposed modification without such a review would lead to an un-quantified risk to the integrity of settlement.**
- c. **AGREED to proceed to the Report Phase, with a recommendation to the Authority that Modification Proposal P29 be rejected.**