



**3 MAY 2001**

**INITIAL ASSESSMENT OF  
MODIFICATION PROPOSAL P7 –  
Allocation of Supplier Demand to  
the same BM Unit in a GSP Group  
for all Suppliers in the same  
Company Group**

**Prepared By ELEXON Limited**

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**Author** ELEXON Limited

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1.0	27/04/01	Modifications		
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### Distribution

Name	Organisation
BSC Panel	
BSC Parties	
BSC Agents	
The Authority	
National Electricity Consumers Council	
Core Industry Document Owners	
BSC Website	

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## **1 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)

## 2 EXECUTIVE SUMMARY

Modification Proposal P7 was submitted on 18 April 2001 by Powergen. The Proposal seeks to allow demand from two or more companies (holding separate supply licences but part of a group of companies) to be allocated to the same BM Unit within a GSP Group.

Powergen has stated that suppliers need more demand than generation in a BM Unit in order to maximise the 'embedded benefits' for any licence exempt generation within the BM Unit. They are more likely to do this if they can assign demand from different Supply businesses to one BMU.

It is unclear which embedded benefits Modification Proposal P7 seeks to utilise. It is necessary to clarify this issue in order to assess any alternative solutions.

Depending on the exact requirement and the particular implementation option there are a number of potentially impacted areas. The Trading Arrangement systems that could be affected include the Supplier Volume Allocation processes, the Settlement Administration Agent processes and the Half Hour Data Aggregator processes.

The BSC sections potentially impacted are:

- BSC Cost Recovery & Participation Charges (section D of the BSC)
- Classification and Registration of BM Units and Metering systems (section K of the BSC)
- Registration (section M of the BSC)
- Clearing, Invoicing and Payment (section N of the BSC)
- Settlement and Trading Charges (section T of the BSC)

Therefore, it is recommended that the Modification Proposal is progressed as follows:

- Definition Procedure
- The Definition Report be submitted to the Panel Meeting on 28<sup>th</sup> June 2001

The Definition Procedure will define the issues raised in sufficient detail to enable the Panel to determine the route by which the modification proposal should then be progressed.

### 3 PURPOSE AND SCOPE OF THE REPORT

Section F of the BSC 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).

When a new proposal to modify the BSC is made, it is the responsibility of the Panel to determine how it should be progressed. Options include submitting the proposal to a Definition Procedure<sup>1</sup>, submitting it to an Assessment Procedure<sup>2</sup>, amalgamating the proposal with another proposal<sup>3</sup>, or proceeding directly to the Report Phase<sup>4</sup>. With a view to assisting the Panel in taking this decision, ELEXON prepares this initial written assessment of the implications of the Modification Proposal as soon as reasonably practicable after the proposal is made<sup>5</sup>. ELEXON endeavours to complete this initial assessment such that it can be reviewed by the Panel at the Panel meeting at which the relevant Modification Proposal is first to be considered.

This initial assessment provides a preliminary view on the following:

- the potential impact of the proposed modification on BSC systems and processes;
- the potential impact of the proposed modification on other systems and processes used by Parties;
- the potential impact of the proposed modification on the BSC, Code Subsidiary Documents and Core Industry Documents;
- the potential impact of the proposed modification on ELEXON;
- the potential impact of the proposed modification on BSC financial arrangements & budget;
- the potential impact of the proposed modification on BSC Agent contractual arrangements;
- The process and timetable that should be adopted for the progression of the Modification Proposal, in light of its complexity, importance and urgency; and
- Issues that will need to be considered and addressed in progressing the Modification Proposal (including the potential need for impact assessments, consultation and analyses).

It should be noted that, as this document only represents a preliminary assessment of the Modification Proposal, the information contained herein will, in most cases, be superseded by the subsequent analysis and reports produced by the Modification Group to which the Panel assigns the proposal for consideration.

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

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

<sup>3</sup> see BSC F2.3

<sup>4</sup> see BSC F2.7

<sup>5</sup> see BSC F2.1.8

## 4 DETAILS OF THE MODIFICATION PROPOSAL

A copy of the Modification Proposal form, as submitted by its proposer, can be found at Annex 1 to this report. The form contains the following information provided by the proposer in relation to the proposal<sup>6</sup>:

- the name of the Proposer;
- the name of the representative of the Proposer (and his alternate) who shall represent the Proposer in person;
- a description (in reasonable but not excessive detail) of the issue or defect which the proposed modification seeks to address;
- a description (in reasonable but not excessive detail) of the proposed modification and of its nature and purpose;
- where possible, an indication of those parts of the Code which would require amendment in order to give effect to (and/or would otherwise be affected by) the proposed modification and an indication of the nature of those amendments or effects;
- the reasons why the Proposer believes that the proposed modification would better facilitate achievement of the Applicable BSC Objective(s) as compared with the then current version of the Code;
- where possible, an indication of the impact of the proposed modification on Core Industry Documents; and
- where possible, an indication of the impact of the proposed modification on BSC Systems and on other relevant computer systems and processes used by Parties.

This Modification Proposal is seeking to allow demand from two or more companies (holding separate supply licences but part of a group companies) to be allocated to the same BM Unit within a GSP Group. The Modification Proposal states that a particular benefit of this would be to allow embedded, licence exempt generation to be more effectively netted against demand where the generation exceeded the demand on any one supply BMU for that group of companies within the GSP Group.

There are a number of options for implementation of this functionality depending on the exact requirement and it is likely that Code changes would be required as well as modification of Agent systems. Business options would include whether a 'group of companies' means a single BSC Party or many BSC Parties.

The implementation options are:

(1) To modify the Supplier Volume Allocation Agent (SVAA) system. There are number of ways the SVAA software could be modified to allow aggregation of two or more Suppliers' demand to a single BM Unit but it is likely to require extensive modification to implement the functionality fully.

(2) It may be possible to implement the Modification Proposal outside the SVAA system by assigning BM Units to a common Trading Unit. Further work would be required to establish whether the

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<sup>6</sup> See BSC F2.1.2

functionality to support this exists within the NETA systems. A Code change is likely to be required depending on the exact functionality.

(3) A third option would be to introduce another process into the SAA systems to allow demand from different suppliers to be assigned to a single BM Unit

The Modification Proposal has a potential impact on a number of areas of the Code including Credit Cover, Settlement and Trading Charges, Registration, Cost Recovery and Participation and Clearing, Invoicing and Payment (BSC sections D, K, M, N and T).

In addition to the SVAA systems, the Central Registration Agent registration systems and Half Hour Data Aggregator systems could be impacted depending on the exact functionality required.

There is existing functionality in a number of areas of the Trading Arrangements that allow energy to be reallocated. These are as follows:

- (1) Supply Meter Registration Service (SMRS) registered meters can be re-registered using the 'change of supplier' processes. This can be used to re-register both demand meters and embedded licence exempt generation meters that are registered in SMRS from one supply company to another within the same group of companies. This process is not appropriate for the re-registration of large numbers of metering systems as the SMRA systems require each metering system to be individually re-registered. An additional problem with this process is that the customer would be subjected to a 'change of supplier'. However this process can be used effectively to re-register small numbers of metering systems that have large energy volumes associated with them.
- (2) A process was introduced to Supplier Volume Allocation for NETA which allows energy from an embedded licence exempt generator registered in SMRS to be split between two suppliers within a GSP Group according to a pre-defined rule. This process is operated by a Half Hour Data Aggregator on behalf of the two suppliers.
- (3) The Metered Volume Reallocation Notification process can be used to reallocate energy between Consumption Accounts

It is recommended that this Modification Proposal is progressed to the Definition stage to allow the requirements to be more fully defined to enable the Panel to determine the route by which the modification proposal should progress.



## 5 IMPACT ON BSC SYSTEMS AND PROCESSES

BSC System / Process	Potential Impact of Proposed Modification
<b>Registration</b> There is existing functionality currently within the Trading Arrangements to partially achieve the aggregation of demand.	Potential impact
<b>Contract Notification</b>	Potential impact
<b>Credit Checking</b>	Potential impact
<b>Balancing Mechanism Activities</b>	Potential impact
<b>Collection and Aggregation of Metered Data</b>	Potential impact
<b>Supplier Volume Allocation</b>	Potential impact
<b>Settlement</b>	Potential impact
<b>Clearing, Invoicing and Payment</b>	Potential impact
<b>Reporting</b>	Potential impact
<b>Dispute Resolution</b>	Potential impact

## 6 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

System / Process	Potential Impact of Proposed Modification
	Impact to be assessed

## 7 IMPACT ON DOCUMENTATION

### 7.1 Impact on Balancing and Settlement Code

BSC Section	Potential Impact of Proposed Modification
A: Parties and Participation	Potential impact
B: The Panel	No impact identified
C: BSCCo and its Subsidiaries	No impact identified
D: BSC Cost Recovery and Participation Charges	Potential impact
E: BSC Agents	Potential impact
F: Modification Procedures	No impact identified
G: Contingencies	No impact identified
H: General	No impact identified
I: Not Used	No impact identified
J: Party Agents	Potential impact
K: Classification and Registration of Metering Systems and BM Units	Potential impact
L: Metering	Potential impact
M: Credit Cover and Credit Default	Potential impact
N: Clearing, Invoicing and Payment	Potential impact
O: Communications	No impact identified
P: Energy Contract Volumes and Metered Volume Reallocations	Potential impact

<b>BSC Section</b>	<b>Potential Impact of Proposed Modification</b>
Q: Balancing Mechanism Activities	Potential impact
R: Collection and Aggregation of Metered Data from CVA Metering Systems	Potential impact
S: Supplier Volume Allocation	Potential impact
S: ANNEX S-1 Performance Levels and Supplier Charges	Potential impact
S: ANNEX S-2 Supplier Volume Allocation Rules	Potential impact
T: Settlement and Trading Charges	Potential impact
U: Provisions Relating to Settlement	Potential impact
V: Reporting	Potential impact
W: Trading Queries and Trading Disputes	Potential impact
X: Definitions and Interpretation	Potential impact
X: ANNEX X-1 General Glossary	Potential impact
X: ANNEX X-2 Technical Glossary	Potential impact

## 7.2 Impact on Code Subsidiary Documents

Code Subsidiary Document	Potential Impact of Proposed Modification
BSC Procedures	Potential impact
Codes of Practice	No impact identified
BSC Service Descriptions	Potential impact
Party Service Lines	No impact identified
Data Catalogues	Potential impact
Communication Requirements Documents	No impact identified
Reporting Catalogue	No impact identified

### 7.3 Impact on Core Industry Documents

Core Industry Document	Potential Impact of Proposed Modification
Grid Code	No impact identified
MCUSA	No impact identified
Supplemental Agreements	No impact identified
Ancillary Services Agreements	No impact identified
Master Registration Agreement	Potential impact
Data Transfer Services Agreement	Potential impact
British Grid Systems Agreement	No impact identified
Use of Interconnector Agreement	No impact identified
Pooling and Settlement Agreement	No impact identified
Settlement Agreement for Scotland	Potential impact
Distribution Codes	No impact identified
Distribution Use of System Agreements	No impact identified
Distribution Connection Agreements	No impact identified

**8 IMPACT ON OTHER CONFIGURABLE ITEMS**

Item	Potential Impact of Proposed Modification
No impact identified	

## 9 IMPACT ON ELEXON

Area of Business	Potential Impact of Proposed Modification
ELEXON Systems	Potential impact
ELEXON Procedures	Potential impact
ELEXON Contracts (Excluding BSC Agent Contracts)	Potential impact
Other (e.g. costs, staffing, etc.)	No impact identified



## **10 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET**

Further analysis is required to assess any impact of Modification Proposal P7 on the ELEXON budget.

## 11 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

BSC Agent Contract	Potential Impact of Proposed Modification
Logica (BMRA, CRA, CDCA, SAA, ECVAA, TAA for CVA)	Potential impact
EPFAL (FAA)	No impact identified
ESIS (TAA for SVA)	No impact identified
Cap Gemini (SVAA)	Potential impact
PwC (BSC Auditor, Certification Agent)	No impact identified
EASL (Teleswitch Agent, Profile Administrator)	No impact identified

## **12 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL**

The Initial assessment indicates that there are a number of issues associated with the benefits of implementing the modification as proposed. Therefore there are options available to address the concern raised within Modification Proposal P7. ELEXON therefore recommends that this Modification Proposal be progressed to the Definition stage in order to define the requirement in more detail.

### **13 ISSUES**

The main issue identified within this initial written assessment is that it is further definition is required to clarify the specific 'embedded benefits' the proposal is seeking to exploit. It is necessary to clarify this issue in order to assess any alternative solutions.

**ANNEX 1 – MODIFICATION PROPOSAL P7**

<b>Modification Proposal</b>	<b>MP No: 7</b> (mandatory by BSCCo)
<b>Title of Modification Proposal</b> (mandatory by proposer): "Allocation Of Supplier Demand To The Same BM Unit In A GSP Group For All Suppliers In The Same Company Group"	
<b>Submission Date</b> (mandatory by proposer): 18 April 2001	
<b>Description of Proposed Modification</b> (mandatory by proposer): The modification proposes that the Supplier demand, for all supply companies in the same company group, can be allocated to the same BM Unit within a GSP Group.	
<b>Description of Issue or Defect that Modification Proposal Seeks to Address</b> (mandatory by proposer): For historical reasons many company groups have more than one licensed supply company. To maximise the embedded benefits associated with embedded license exempt generation, suppliers need a greater amount of demand in a GSP Group than embedded generation. With the increasing of the generation licence exemption limit and the expansion of CHP and renewable generation, there are more embedded generators expecting to realise these embedded benefits. These benefits could be better realised if all the demand for a company group could be allocated to the same BM Unit.  If the total supply take for a company group can be summed together in a GSP Group, the embedded benefits can be fully secured.	
<b>Impact on Code</b> (optional by proposer): Section K Clause 3 "Configuration and Registration of BM Units" Section T Clause 4 "Settlement Calculations"	
<b>Impact on Core Industry Documents</b> (optional by proposer): Amendment to Balancing and Settlement Code as above	
<b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b> (optional by proposer):	
<b>Impact on other Configurable Items</b> (optional by proposer):	

<b>Modification Proposal</b>	<b>MP No: 7</b> (mandatory by BSCCo)
<p><b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b> (mandatory by proposer):</p> <p>It is essential that embedded generation is able to fully capture the embedded benefit value from suppliers in order to maximise the value of their investment.</p> <p>As many supply companies have demand in a GSP group on more than one supply licence, they are unable to consolidate their position and offer the full benefit share potential to renewable and CHP generators. Under current arrangements renewable and CHP generators are less likely to experience competitive pricing for their product as many suppliers will have insufficient demand on a single licence to offer a competitive benefit share.</p> <p>This proposal will better facilitate competition in the embedded generation market and electricity supply in general.</p>	
<p><b>Details of Proposer:</b></p> <p style="padding-left: 40px;"><b>Name:</b> Peter Bolitho</p> <p style="padding-left: 40px;"><b>Organisation:</b> Powergen</p> <p style="padding-left: 40px;"><b>Telephone Number:</b> 024 7642 5441</p> <p style="padding-left: 40px;"><b>Email Address:</b> peter.bolitho@pgen.com</p>	
<p><b>Details of Proposer's Representative:</b></p> <p style="padding-left: 40px;"><b>Name:</b> Peter Bolitho</p> <p style="padding-left: 40px;"><b>Organisation:</b> Powergen</p> <p style="padding-left: 40px;"><b>Telephone Number:</b> 024 7642 5441</p> <p style="padding-left: 40px;"><b>Email Address:</b> peter.bolitho@pgen.com</p>	
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<p><b>Attachments: NO</b></p> <p><b>If Yes, Title and No. of Pages of Each Attachment:</b></p>	

