

ANNEX 1 – COPIES OF REPRESENTATIONS

The following submissions were received in response to the consultation on the draft Modification Report.

No	Company	File Number
1.	BP Gas & Power	P4_MR_001
2.	Dynegy	P4_MR_002
3.	InterGen (UK) Ltd (on behalf of Coryton Energy Company Ltd, InterGen Energy Trading and Shipping Ltd, Rocksavage Power Company Ltd and Spalding Energy Company Ltd)	P4_MR_003
4.	TXU Europe Energy Trading Ltd (on behalf of all TXU Europe companies)	P4_MR_004
5.	Powergen UK plc (on behalf of itself and Powergen Energy plc, Diamond Power Generation Limited, Cottam Development Centre Limited)	P4_MR_005
6.	SEEBOARD	P4_MR_006
7.	British Energy plc (for British Energy Power and Energy Trading, British Energy Generation and Eggborough Power Ltd)	P4_MR_007
8.	Scottish & Southern Energy (on behalf of Southern Electric, Scottish and Southern Energy, Keadby Generation Ltd, SSE Energy Supply Ltd)	P4_MR_008
9.	Scottish Power UK plc (on behalf of Scottish Power UK plc, Manweb Plc and Manweb Services Ltd)	P4_MR_009
10.	British Gas Trading	P4_MR_010

P4_MR_001 – BP Gas & Power

Thank you for your kind invitation to pass comment on the P4 Modification Report.

As a member of the P4 modifications group I agree with the recommendations of the Panel.

However I am disappointed that the modification cannot be implemented before 1st June 2002 and I would encourage the Panel to do everything in their power to bring this date forward, in order to enhance market liquidity and competitiveness.

I would like to encourage the Panel to investigate the impact of the modification on market liquidity following implementation.

I believe that the Panel should also respond to the market's enthusiasm for either dual notification, improved "real-time" reporting or both, by recommending that any future market implementations that Ofgem are involved in should include dual notification of positions by market participants in their initial specifications.

Many thanks,

Mark Simons
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BP Gas & Power
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P4_MR_002 – Dynegy
Dual energy contract notification P004- Modification Report.

We do not support the Panel's decision to reject the original proposed modification that is related to the implementation of dual energy contract notification.

Dynegy are disappointed with Elexon's presentation of modification proposal P004: Dual Energy Contract Notification, at the BSC Panel meeting on 26 July 2001. Elexon's presentation did not reflect the modification group's decisions at its last meeting on 11 July 2001. It is unfortunate that the Panel were then asked to make a decision on this modification on the basis of a misleading presentation and as a consequence the content within the draft modification report is incorrect.

Elexon had independently concluded that the modification group's recommendation was that the original dual energy contract notification should not be implemented. However, the alternative modification that involves enhanced reporting should be approved and implemented on the 1 May 2002.

Dynegy's interpretation of the outcome of the modification group's last meeting is rather different and is reflected in Elexon assessment report published 19 July 2001. The modification group believed that the development and operating costs for all the services, i.e. enhanced reporting, web based reporting, increased capacity and dual notification were all rather high prices, taking into consideration the quotes did not include market participant testing and no improvements of the existing service level. It was therefore decided that the market should take the opportunity to attempt to gain value for money and go out to tender.

The group was convinced that genuine competitors were present, as the dual notification system is already in operation within power exchange companies, for example, UKPX, APX and Power Ex. Some of these players had also expressed an interest in providing the service at the meeting. It is important to clarify this was a new, stand alone service, not a bolt on to Logica's systems.

The modification group concluded that their decisions upon now to best implement a dual notification system for the long term would be based on the results of the tender process. There was also a suggestion that if the tender process was successful, depending on the implementation times, then the need for enhanced reporting provided by Logica may not be required.

Dynegy are disappointed with Elexon's interpretation of the group's view. We therefore request that Elexon go back to the modification group and explain the situation concerning the tender process. If it is decided that the tender process is not possible then allow the group to consider Logica's quotation in more detail.

We hope this clarifies the situation and hope that the modification is referred back to the group for the further work that is needed.

Yours sincerely,
Rekha Patel
Power Regulatory Analyst

P4_MR_003 – InterGen

The view of InterGen (UK) Ltd, representing the BSC parties Coryton Energy Company Ltd, InterGen Energy Trading and Shipping Ltd, Rocksavage Power Company Ltd and Spalding Energy Company Ltd, remains one of strong support for the original dual energy contract volume notification proposal. We believe that dual notification provides the most effective means of reducing participant risk and hence promoting market liquidity, which has been disappointing since NETA go-live.

As an interim measure InterGen support the Alternative Modification which in our view will improve the efficiency of the current single notification system. InterGen support any development which will facilitate BSC party and ECVNA monitoring of the within day position held by the ECVAAs. As such, the extension of the Forward Contract Report to cover within day periods is welcome, although the benefit would only be fully realised if the report frequency is increased. However, despite the benefits of the Alternative Modification, we firmly believe that only the introduction of dual notification will lead to the improvements in market liquidity necessary for "promoting effective competition".

Yours sincerely,

Richard Dowling

P4_MR_004 – TXU Europe Energy Trading Ltd Modification P4 - Dual Energy Contract Notification

Thank you for the opportunity to comment on the above modification proposal. TXU Europe Energy Trading Ltd would like to make the following comments on behalf of all TXU Europe companies¹.

TXU does not support implementation of the alternative proposal, namely enhanced reporting without dual contract notification. In addition, we do not support the recommendation that the dual contract notification modification should be rejected. We believe that enhanced reporting, while providing some of the benefits of dual contract notification, will not fulfil all the requirements necessary to substantially increase liquidity in the within day and day ahead electricity markets.

Indeed, we do not believe that the enhanced reporting elements of the modification should have been the subject of an alternative modification proposal. Enhanced reporting should be an interim step prior to the full solution of dual contract notification. Furthermore we are very disappointed by the decision to recommend rejection of the dual contract notification modification on the grounds of the costs and timescales provided by Logica.

TXU believes that a competitive tender for quotes should be undertaken. Seeking costs from one potential supplier of a service is insufficient to enable a proper cost/benefit analysis to be carried out. Either quotes should have been sought via a tender process, or no costings should have been reviewed at all in order that the parties could judge the modification on its merits and not on the basis of the high costs and long timescales provided by Logica.

¹ TXU Europe Energy Trading Ltd; TXU Europe Energy Trading BV; Eastern Electricity; Eastern Energy; Angilan Power Generators; Peterborough Power Ltd; TXU Europe Drakelow Ltd; TXU Europe High Marnham Ltd; TXU Europe Ironbridge Ltd; TXU Europe West Burton Ltd; TXU Europe Merchant Generation Ltd; Citigen; Norweb Energi; Shotton CHP Ltd

Further, we find it extraordinary that the modification group² and the BSC Panel should recommend rejecting the modification when the majority of respondents to the two prior consultations have been supportive of dual contract notification.

TXU believes that the dual contract notification should be implemented and that Elexon should go to competitive tender to find a service provider, we believe that there may be several companies who would be able to provide the service at a fraction of the cost and timescale that was quoted by Logica and that the cost may even be less than that of implementing enhanced reporting. TXU also believe that there would be minimal costs to participants as many of the existing file formats would remain unchanged, and the option to use a third party agent would remain.

We believe that dual contract notification provides parties with complete assurance that counterparties will not be able to notify erroneous quantities to their energy accounts. This is particularly important to parties without 24/7 operations. Should such erroneous notifications take place, there are provisions within the Grid Trade Master Agreement to reallocate imbalance charges (deemed imbalance charges), however if parties cannot agree the correct volumes this could lead to costly and time consuming legal wranglings.

Dual contract notification is a proven method for notifying traded quantities and has worked extremely well in the gas industry allowing parties to ensure that volumes notified are agreed by both parties prior to settlement.

In addition, the dual contract notification modification sought to introduce real-time screen based reporting to enable parties to see, at a glance, any outstanding, unmatched notifications prior to gate closure. We are not convinced that the enhanced reporting will provide this level of assurance.

TXU believes that dual contract notification would better facilitate the BSC objectives compared to both the current arrangements and the alternative modification. Dual contract notification would provide participants with better security and assurance for prompt trading, and would give all parties the knowledge that erroneous quantities could not be notified to their energy accounts. Such assurances would increase confidence and therefore liquidity in the day ahead and within day markets, thereby promoting effective competition in the generation and supply of electricity by reducing the risks faced by market participants.

As one of the biggest traders of electricity in the UK market, TXU believes that dual contract notification will work to the advantage of the whole market by increasing confidence and bringing more players into the prompt trading markets.

We feel unable to support implementation of enhanced reporting alone as dual contract notification would better facilitate the relevant objectives. We therefore urge Ofgem to implement the dual notification modification with a recommendation to Elexon to go to competitive tender to find a service provider as recommended by the modification group in earlier reports.

We hope you have found our comments useful and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely

² whilst recognising that this was not the view of the entire modification group

Nicola Lea
Market Development Analyst

**P4_MR_005 – Powergen UK plc
Proposed Variation to BSC – Modification Proposal No: 4 – Dual Energy Contract
Notification.**

Powergen UK plc ('Powergen') welcomes the opportunity to comment on the modification report issued for P4 on the 30th July. Powergen provides this response on behalf of itself and the following BSC Parties: Powergen Energy plc, Diamond Power Generation Limited, and Cottam Development Centre Limited.

In response to the modification report Powergen would raise the following points :-

- Powergen endorses the approval of the Alternative modification by the Panel, and the rejection of the original Proposal.
- Powergen agrees that the alternative modification will better facilitate the applicable BSC Objectives.
- Powergen would highlight once again the significant costs that would be associated with the implementation of a Dual Notification system. Given that almost all of the benefits of improved contract notifications can be achieved through simpler, less costly & less disruptive changes to ECVAAs reporting & GTMA contracts between counterparties, there is little gain to be made from moving toward a Dual Notification system.
- Powergen view the panel decision of the 26th to progress the alternative modification & not the Dual notification proposal as clear guidance of the best way to satisfy the relevant objectives following split opinion in the workgroup and consultation responses in relation to the Dual notification proposal.
- Powergen would seek to progress the alternative modification to the final report stage.

Yours Sincerely
James Hawkins
Strategy & Regulation
Energy Trading
Powergen
02476 42 4737.

P4_MR_006 – SEEBOARD

With respect to this modification we agree with recommendations of the above mentioned report. Given, if this is accepted by industry and the Authority, that a new flow and an amendment to an existing flow will result we would welcome every opportunity to comment on these changes. This consultation should also assist Elexon in determining an agreed implementation date for this enhanced reporting.

Dave Morton
SEEBOARD
0190 328 3465

P4_MR_007 – British Energy plc

British Energy supports the alternative proposal put forward by the Modification Group for new contract notification and volume reallocation notification reporting. We believe this alternative would assist counterparties and agents in verification of the completeness and accuracy of notifications, whilst avoiding the significant development and operational costs associated with more wide-ranging changes to the notification process.

Regards
Rachel Ace
For
British Energy Power and Energy Trading
British Energy Generation
Eggborough Power Ltd

P4_MR_008 – Scottish & Southern Energy Modification Proposal P4 – Dual Energy Contract Notification

This response is sent on behalf of Southern Electric, Scottish and Southern Energy, Keadby Generation Ltd and SSE Energy Supply Ltd.

We support the recommendation of the Panel, that the original Modification is rejected and that the Alternative Modification is approved and implemented. We look forward to clarification of the implementation date. We should not have any issues with a date of 1st June 2002.

We have one further comment on the Draft Report. Clarification of the timings associated with the ECVNs is required. At the moment, as far as gate closure is concerned, the ECVN is deemed valid from the ACKNOWLEDGE (unless it is REJECTED later). The time of the new ACCEPTANCE message is, therefore, irrelevant as far as validity is concerned.

However, we can assume that unless an ECVN is REJECTED within 15 minutes, it is deemed to have been accepted. Can it be clarified that this convention will continue.

Regards
Robert

P4_MR_009 – Scottish Power UK plc

- 1.1 Having reviewed the Draft Modification Report for P4, we do not feel able to support the Panel's recommendations that the alternative proposal should be implemented.

While we acknowledge the advantages that implementation of the alternative proposal would produce, we are of the opinion that it would not provide the substantial reductions in risks associated with Volume Notification that the original Modification Proposal would. As indicated during the assessment / consultation stage, our preference is for **centrally hosted dual contract notification**. We would wish to see this run in parallel with single contract notification, although the parallel running could, perhaps, be phased out after an agreed migration period had elapsed.

We do not feel that the reasons for recommending that the original proposal be dropped have been adequately conveyed: although the indicated costs for implementing that proposal are substantial, we do not necessarily consider them prohibitive. It is also unclear whether these costs have been subject to competitive tender or are merely representative of an estimate from the incumbent agent. Perhaps further exploration of this area could be carried out before any decision is taken to abandon this proposal.

I hope that you find these comments to be helpful. If I may be of any further assistance, please do not hesitate to contact me.

Yours Sincerely,
James Nixon
On behalf of:
Scottish Power UK plc, Manweb Plc and Manweb Services Ltd.

**P4_MR_010 – British Gas Trading
Modification Proposal 04: Dual Energy Contract Notification**

Thank you for the opportunity of responding to this modification.

British Gas Trading are disappointed that the panel have not sought third party tenders for implementing Dual Notification.

Although we support the Alternative Modification developed by the Modification Group that provides new Acceptance Feedback Dataflow Reporting and amended Forward Contract Reporting, we believe that Dual Notification would further the relevant objectives and should be re-considered following receipt of additional tenders.

We support the implementation of this Alternative Modification in line with ELEXON BSC Systems Release 2 Project.

Yours faithfully,
Sarah Grimes
Commercial Manager