

November 2002

**ASSESSMENT REPORT**  
**MODIFICATION PROPOSAL P96 –**  
**Merger of Assessment and**  
**Definition Phases in the**  
**Modification Process**

**Prepared by the Governance Standing  
Modification Group on behalf of the Balancing and  
Settlement Code Panel**

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## I DOCUMENT CONTROL

### a Authorities

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### b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	energywatch
Core Industry Document Owners	Various

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## 1 SUMMARY AND RECOMMENDATIONS

### 1.1 Recommendations

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment P, and the resultant findings of this report, the Governance Standing Modification Group recommends that the BSC Panel should:

- **NOTE the P96 Assessment Report and the recommendations of the Governance Standing Modification Group (GSMG);**
- **ENDORSE the recommendation of the GSMG and proceed to the Report Phase in accordance with Section F2.7 of the Code;**
- **AGREE that the draft Modification Report contain a provisional recommendation that P96 should be made with an Implementation Date of 15 business days after the Authority's decision; and**
- **AGREE that the draft Modification Report should be issued for consultation and submitted to the Panel Meeting on 12 December 2002.**

### 1.2 Background

Modification Proposal P96 'Merger of Assessment and Definition Phases in the Modification Process' (P96) was raised by Dynegy UK Ltd on 13 August 2002. The Initial Written Assessment was considered by the BSC Panel at their meeting on 12 September 2002. The Panel agreed to submit P96 to the Assessment Procedure, to be undertaken by the Governance Standing Modification Group (GSMG). The Panel also agreed that an Assessment Report be presented to the Panel on 14 November 2002.

P96 seeks to shorten the existing process of separate Definition and Assessment Procedures by amalgamating them into one Evaluation Procedure.

### 1.3 Rationale for Recommendations

The GSMG believe that P96 would better facilitate the achievement of Applicable BSC Objective (d) - 'the promotion of efficiency in the implementation and administration of the balancing and settlement arrangements' for the following reasons:

- The additional flexibility of the procedure will increase the overall efficiency of the process, without detracting from the level of certainty that it affords parties as to how their proposals will be progressed;
- Fewer consultations and consultations only at the most appropriate times will increase efficiency and may encourage more (particularly smaller) participants to respond;
- No hiatus in the process between the Definition and Assessment Procedures, awaiting a Panel meeting, should allow more timely progression;
- Time spent during the Evaluation Procedure will be better spent, as process requirements will be more clearly understood; and
- P96 will address the current dysfunctional feature of the procedures whereby it is not possible to define and evaluate proposals in a flexible and iterative manner.

## 2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the GSMG, in accordance with the terms of the Balancing and Settlement Code ('the Code'). The Code 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 Code.

An electronic copy of this document can be found on the BSC Website, at [www.elexon.co.uk](http://www.elexon.co.uk).

## 3 MODIFICATION GROUP DETAILS

The GSMG has produced this Assessment Report. The Membership of the GSMG was as follows:

Member	Organisation
Gareth Forrester	ELEXON (Chair)
Terry Ballard	Innogy
Lisa Waters	Dynegy (Proposer)
Abid Sheikh	Scottish Power
Peter Bolitho	Powergen (Proposer's Representative)
Liz Anderson	London Electricity
Steve Phillips	British Energy
Danielle Lane	Centrica
John Sykes	Scottish and Southern
Jane Butterfield	PowerGen
Clare Talbot	National Grid
Sandy Blows	ELEXON (Lead Analyst)

Attendee	Organisation
Paul O'Donovan	Ofgem
Robert Barnett	Campbell Carr Consultancy
Richard Clarke	ELEXON

## 4 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

### 4.1 The Proposed Modification

P96 was raised by Dynegy UK Ltd on 13 August 2002; the Initial Written Assessment was considered by the Panel at their meeting on 12 September 2002. The Panel agreed to submit P96 to the Assessment Procedure, to be undertaken by the GSMG. The Panel also agreed that an Assessment Report be presented to the Panel on 14 November 2002.

P96 seeks to reduce the overall timescale to process a Modification Proposal through the modification process by merging the Definition and Assessment Procedures to create an Evaluation Procedure. This would allow each modification to be defined and assessed as one complete stage. The same range of definitional and assessment activities would be undertaken, but in a single process. It was also suggested that this change would introduce greater clarity and flexibility into the Modification Procedures and would facilitate more effective consultation on modifications.

## 4.2 Modification Group Discussion

The GSMG met twice during the Assessment Procedure for P96 (18 September 2002 and 22 October 2002). The group considered the consultation responses (summarised in section 10 below and attached at Annex 2). In view of those responses, the GSMG agreed that the Proposed Modification should include the following features (reflected in the legal text at Annex 1):

- The Code should contain a clear statement of activities to be undertaken during the Evaluation Procedure (to the extent applicable to each individual Proposal). This would be based on the existing Annex F1 list of activities, plus a description of the definitional activity.
- A maximum period of 5 months should be set for the Evaluation Procedure. However, the existing obligation on the Panel to set the timetable as short as possible, consistent with the proper evaluation of a proposal would remain, as would the Authority's powers to direct an alternative priority and/or timetable.
- The only milestone that should be mandatory is that an Evaluation Report be produced at the end of the Evaluation Procedure and that at least one consultation and impact assessment be carried out within this Procedure. This does not preclude additional consultations and/or assessments being carried out if the Modification Group feels it necessary or interim reports being required by the Panel.
- Impact assessments will still be requested, if appropriate, during the Evaluation Procedure. These may be high level or detailed level dependent upon the complexity of the Modification Proposal.
- If, at the end of the definition work (or at any other stage during the Evaluation Procedure), the Modification Group agrees that a Proposal is unworkable or has no merit, it will be possible to produce an Evaluation Report and report back to the Panel, recommending that the Proposal be rejected.
- Interim reports will be produced during the Evaluation Procedure if a specific issue is identified that requires Panel discussion/agreement. The GSMG noted that generally these reports could be amalgamated into a Monthly Modification Groups Report rather than individual reports being produced, although this did not need to be specified in the Code itself.
- The proposer's rights will remain unchanged i.e. the proposer is entitled to appoint a member of the Modification Group considering the Proposal, but no special rights are allocated to direct the way in which the proposal is developed. This will retain the incentive on proposers to submit fully defined Modification Proposals if they wish a particular form of Proposal to emerge from the Modification Process.

As a result of the analysis undertaken the GSMG concluded that P96 would better facilitate the Applicable BSC Objective (d), as detailed in Section 4.3 below.

The GSMG agreed to recommend that P96 should be made with an Implementation Date of 15 business days after the Authority's decision.

The Group also considered how best to manage the transition from the existing Modification Procedures to the new arrangements, in respect of any proposals that were already under consideration. It was agreed that some legal drafting was required to expressly state when and to what extent a procedure applies, rather than leave such a matter to be either implied from the text or devised on an add hoc

basis. Therefore, the purpose of transitional provisions in the P96 text will be to provide certainty and clarity in relation to the method of considering Modification Proposals during the period of time between P96 implementation and the resolution of the existing Modification Proposals.

The Group agreed that the simplest way to incorporate non-retrospective transitional provisions is to 'sunset' the existing Definition Procedure and Assessment Procedure provisions within the Code. This means that the text of these Procedures will remain in the Code in full, but will only be operational post-P96 implementation until the last existing Modification Proposal in either Procedure is sent to the Report Phase by the Panel.

### **4.3 Assessment Against Applicable BSC Objectives**

The GSMG believes that Modification Proposal P96 would better facilitate the achievement of Applicable BSC Objective (d) – 'the promotion of efficiency in the implementation and administration of the balancing and settlement arrangements' – for the following reasons:

- The additional flexibility of procedure will increase the overall efficiency of the process, without detracting from the level of certainty that it affords parties as to how their proposals will be progressed;
- Fewer consultations and consultations only at the most appropriate times will increase efficiency and may encourage more (particularly smaller) players to respond;
- No hiatus in the process between the Definition and Assessment phases, awaiting a Panel meeting, should allow more timely progression;
- Time spent during the evaluation phase will be better spent, as requirements will be more clearly understood; and
- The modification will address the current dysfunctional feature of the procedures whereby it is not possible to define and evaluate proposals in a flexible and iterative manner.

### **4.4 Alternative Modification**

The GSMG explored a possible alternative, identified during consultation. This proposed that the existing Definition and Assessment Procedures be retained and that a further third Procedure be introduced – the amalgamation of the two. However the Group concluded that it was not better than the Proposed Modification.

## **5 IMPACT ON BSC AND BSCCO DOCUMENTATION**

### **5.1 Balancing and Settlement Code**

Section F (Modification Procedures) will require revision to reflect the removal of the separate Definition and Assessment Procedures and the introduction of the Evaluation Procedure.

Section X Annex X-1 (General Glossary) will also require changes to remove redundant definitions and include the new definitions used in Section F.

The Legal text is provided as Attachment 1 of this report.

## **5.2 Code Subsidiary Documents and BSCCo Memorandum and Articles of Association**

No impact has been identified on any of these documents.

## **6 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS**

No impact has been identified.

## **7 IMPACT ON OTHER CONFIGURABLE ITEMS**

There will be an impact on the Business Process Model (BPM).

## **8 IMPACT ON ELEXON**

No changes will be required to any of the ELEXON systems. However changes will be required to ELEXON's internal processes and documentation.

## **9 IMPACT ON PARTIES AND PARTY AGENTS**

No significant impact has been identified.

## **10 SUMMARY OF REPRESENTATIONS**

A consultation questionnaire seeking Party opinion on whether or not the Modification would better facilitate the achievement of the Applicable BSC Objectives was issued on 2 October 2002.

The questions asked during the consultation were as follows:

- **Q1** - Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code?
- **Q2** - Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?
- **Q3** - Do you believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.

15 responses, representing a total of 62 Parties, were received as a result of the consultation. The responses are attached as Annex 2 of this report and are summarised below, together with the GSMG's views on the points raised by respondents.

14 respondents were in favour of P96; 1 respondent was against.

### Arguments in Favour

Several respondents commented that the Evaluation Procedure should be as flexible as possible. Although the default maximum time for this Procedure would be 5 months, it is likely, and should be

encouraged, that proposals take less than this. The GSMG noted that the existing obligation on the Panel to set the timetable as short as possible consistent with the proper evaluation of a proposal would remain, as would the Authority's powers to direct an alternative priority and/or timetable.

Comments were also received on the amount of definition and assessment activities undertaken within the Evaluation Procedure. The GSMG agreed that this should be determined, by the Panel, on a case by case basis in view of the state of the Proposal raised. If a Modification Group feels that a Proposal is adequately defined (i.e. capable of assessment without further development or refinement) but that a large amount of assessment would be required, the process should allow for this.

There was also a suggestion that, where some definition of a proposal was required, some definitive statement of the defined Proposal (equivalent to the existing Definition Report) should still be required. The GSMG were of the view that this should be left to the discretion of the Panel to specify on a case by case basis, as the development and assessment of a Proposal was often an iterative procedure and could benefit from a more fluid process.

#### Arguments Against

One response was received that suggested that the introduction of the Evaluation Procedure would not make much difference to the efficiency and timeliness of the process. The GSMG felt that this would not be true as the removal of the 'dead time' at the end of the Definition Procedure waiting for the Panel to review and approve the Definition Report would speed up the process. Also, the GSMG felt that the removal of the additional mandatory consultation/impact assessment within the Definition Procedure should also increase efficiency. The GSMG felt that participants are currently unsure what is required of them when they receive requests for consultation during the Definition Procedure. This has led to Modification Groups sometimes receiving the same information twice or participants not responding at all.

#### Additional Comments

One response suggested that more use should be made of Standing Groups to define/refine Proposals prior to them being submitted into the Modification Process. This would reduce the amount of definitional activity required and allow the Evaluation Process to focus more on assessment activity. The GSMG agreed that this would be the case if Parties begin to use the standing Modification Groups in that way.

#### Possible Alternative Modification

An alternative proposal was suggested whereby it would be possible to retain the existing Definition and Assessment Procedures and introduce a third Procedure – the amalgamation of the two. Following discussion, the GSMG agreed that they did not support this proposal, as it was likely to add further complexity to the procedures, rather than to simplify or add flexibility.

## **ANNEX 1 – PROPOSED TEXT TO MODIFY THE BSC**

See attached document.

## ANNEX 2 – CONSULTATION RESPONSES

### Responses for P96 Assessment Consultation

Consultation issued 2 October 2002 for 10 Working Days.

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU Energy	P96_ASS_001	21
2.	Dynegy	P96_ASS_002	1
3.	British Gas Trading	P96_ASS_003	1
4.	Entergy-Koch Trading Ltd	P96_ASS_004	1
5.	Campbell Carr Ltd	P96_ASS_005	1
6.	British Energy	P96_ASS_006	3
7.	SEEBOARD Energy	P96_ASS_007	1
8.	Innogy	P96_ASS_008	9
9.	Aquila Networks	P96_ASS_009	1
10.	London Electricity	P96_ASS_010	7
11.	Immingham CHP LLP	P96_ASS_011	1
12.	NGC	P96_ASS_012	1
13.	Scottish Power	P96_ASS_013	6
14.	Powergen	P96_ASS_014	4
15.	Scottish and Southern	P96_ASS_015	4

P96\_ASS\_001 – TXU Energy

<b>Respondent:</b>		<b>Nicola Roberts</b>
<b>Representing (please list all Parties):</b> TXU Europe Energy Trading Ltd; TXU Europe Energy Trading BV; Anglian Power Generators Ltd; Citigen; Peterborough Power Ltd; Shotton CHP Ltd; TXU Direct Sales Ltd; TXU Europe (AH Online) Ltd; TXU Europe (AHG) Ltd; TXU Europe (AHGD) Ltd; TXU Europe (Partington) Ltd; TXU Europe Drakelow Ltd; TXU Europe High Marnham Ltd; TXU Europe Ironbridge Ltd; TXU Europe Merchant Generation Ltd; TXU UK Ltd; Norweb Energi Ltd; Western Gas Ltd; Midlands Gas Ltd; Severn Trent Ltd; OwnLabel Energy Ltd. (21 BSC Parties)		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES <del>NO</del></b>	Implementation of this proposal would streamline the modification process and increase efficiency for BSC Parties, Elexon and the BSC Panel, without diminishing the consultation process.
<b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?	<b>YES <del>NO</del></b>	
<b>Q3.</b> Do you have believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.	<b><del>YES</del> NO</b>	

**Any further comments:**

**None**

P96\_ASS\_002 – Dynegy

<b>Respondent:</b>		<b>Dynegy UK Limited</b>
<b>Representing (please list all Parties)</b>		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES</b>	It will be more efficient in allowing more timely progress of modifications. It will also help more players to participate.
<b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?	<b>YES</b>	But groups should still try to work as quickly as possible while maintaining the rigour of their evaluation work.
<b>Q3.</b> Do you believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.	<b>NO</b>	
<b>Any further comments: It is important that Panel members understand that the proposer of a modification does not have any control over the alternative modification. If they wish their initial modification to progress as is, the proposer must be very clear in defining their modification.</b>		

**P96\_ASS\_003 – British Gas Trading**

<b>Respondent: Danielle Lane</b>		
<b>Representing (please list all Parties): British Gas Trading Ltd</b>		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<p><b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code</p>	<p><b>YES</b></p>	<p>The proposal will improve the efficiency of the modification process by:</p> <ul style="list-style-type: none"> <li>• Improving clarity in the modification groups as to the actions they must fulfil;</li> <li>• Removing the requirement for an additional report and so reducing the need for a break in the modification process.</li> </ul> <p>It is important to note that this proposal is not reducing the importance of consultation with industry. It is allowing the opportunity for a higher quality consultation at stage where the modification proposal has been fully developed.</p> <p>And so in our opinion this proposal will better meet the applicable BSC objectives.</p>
<p><b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?</p>	<p><b>YES</b></p>	<p>We believe 5 months is an appropriate maximum length of time for evaluation of a proposal. The requirement to consult the Authority for any time period in excess of 5 months should be retained.</p> <p>It should also be noted that we support 5 months as a <i>maximum</i> period and would not expect this to be the normal time period for all modifications.</p>

<b>Q3.</b> Do you believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.	<b>NO</b>	
<b>Any further comments:</b>  The proposal does not make clear what will be actually carried out in the 'Evaluation' Procedure. There needs to be an explicit statement of what a modification group is required to do in order to fully evaluate modification proposals.		

**P96\_ASS\_004 – Entergy-Koch Trading Ltd**

<b>Respondent: Entergy-Koch Trading Ltd</b>		
<b>Representing (please list all Parties) Entergy-Koch Trading Ltd</b>		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES</b>	P96 allows additional flexibility and efficiency into the process by not halting progression of the Modification at the end of the Definition Procedure
<b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?	<b>YES</b>	It should give sufficient time to clear any issues over definition and complete assessment, however there needs to be a process whereby the timescale can be shortened if need be.
<b>Q3.</b> Do you believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.	<b>NO</b>	
<b>Any further comments:</b>		

**P96\_ASS\_005 – Campbell Carr Ltd**

<b>Respondent:</b> Robert Barnett, Campbell Carr Consultancy		
<b>Representing (please list all Parties)</b> Not a BSC Party		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES</b>	See below
<b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?	<b>YES</b>	Yes
<b>Q3.</b> Do you have believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.	<b>YES / NO</b>	See below

**Any further comments:**

While supporting the Proposal, it is unclear what elements go into the combined Definition and Assessment process. This makes Panel responsibilities and oversight uncertain. Currently, the Definition Phase is very vague as to purpose and proceedings in the BSC and it can prove frustrating. However, on the whole, the Panel has used it correctly in terms of providing them with appropriate information in order to perform their primary function. The use of the Definition Phase should be to assist the Panel where they do not have sufficient information on one or more of the following:

- What is the purpose of the Mod? – these days not a major issue because it can generally be worked out.
  - However appropriate implementation methodology may need clarification;
- What ToRs are required? – not usually an issue because the Panel has allowed Mod Groups to modify their ToRs where necessary;
- How long an Assessment is required? – this is the main imponderable and an important reason for use of Definition. The Panel often needs an idea of the scope and implications of the Proposal in order to work out the scheduling of Assessment – a primary function of the Panel.

Use of a Definition process where the timetable is difficult to be clear on can be useful. What is not useful is the size and detail of the current Definition Report, which includes a Definition Consultation – surely a waste of time because, if the Panel is uncertain of the impact of a Mod, what is the point of asking the industry for a half-informed opinion rather than waiting until the industry has the information on which to form a proper view?

An Alternative to explore would be one with:

1. Amalgamation of Definition and Assessment procedures but with a remit from the Panel to produce a “Definition Report” in certain circumstances.
2. The Definition Report should include the following:
  - a. Specific answers to issues raised by the Panel requiring further Definition;
  - b. Any issues on which the Modification Group requires guidance from the Panel;
  - c. A suggestion for a timetable to complete Assessment.
3. The Definition Report should not include an Assessment against the BSC Objectives:
  - a. However if it is manifestly obvious that the Modification is not workable then the Group may wish to suggest that the Panel send it direct to Report.
4. The Modification Group has specific remit to commence appropriate Assessment pending any additional requirements (and timetable from the Panel).

## **P96\_ASS\_006 – British Energy**

The present arrangements involving separate definition and assessment phases has in general worked well. The definition phase imposes a sensible discipline and incentive on those submitting changes to fully define their proposals up front which if adhered to will allow proposals to move directly to assessment and therefore is already flexible. We believe this proposal could lead to inefficiencies.

As things stand, ill defined proposals are rigorously reviewed before moving to assessment we suspect that under this change there will be a blurring of the activities such that important points of definition are missed and subsequently will need to be revisited creating inefficiencies and potentially ill thought out proposals.

If governance problems exist they exist at the modification submission stage where poorly defined proposals are allowed to be processed under the BSC with proposer's being required to do no more than provide a cursory outline of their proposals. If anything, the hurdle for submission of a modification proposal should be raised so that proposer's are required to work up their proposals in far greater detail and not rely on the BSC processes to do their work for them.

Regards

Rachel Ace

On behalf of

British Energy Generation  
Eggborough Power Ltd  
British Energy Power and Energy Trading Ltd

**P96\_ASS\_007 – SEEBOARD Energy**

<b>Respondent: Dave Morton</b>		
<b>Representing (please list all Parties) SEEBOARD Energy Limited</b>		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES</b>	It could be argued that this would promote efficiencies in administration of BSC. However, we feel that this is likely to be a marginal improvement.
<b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?	<b>NO</b>	Do not see need to specify a standard time. Each modification should to be treated on its merits and part of initial assessment by BSC Panel should be to determine relevant timescales.
<b>Q3.</b> Do you believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.	<b>Possibly</b>	Further information is required from Parties normally not responding to see what could improve their chances of responding. This might indicate an alternative modification.
<p><b>Any further comments:</b></p> <p>A major justification for this proposal is to improve participation of Parties to modification process. It considers that combining definition and assessment stages should reduce number of stages in process and thereby increase participation.</p> <p>Considering those 95 modifications that have been raised prior to this modification. Only 12 of these proposals have progressed through definition and assessment stages, i.e. a minority of proposals that have been raised. Included in these 12 proposals are some of the most significant changes proposed, i.e. P2 (Revision of the Methodology for Assessing Credit Indebtedness), P62 (Changes to Facilitate Competitive Supply On The Networks Of New Licensed</p>		

Distributors) and P63 (Change Of Contract Management of MPAN's For Data Collector, Data Aggregator And Meter Operator). Given the complexity of these proposals there is no real evidence that number of consultations would have been reduced if just a single evaluation stage were in place. Instead it is possible that these consultations would just have been named differently. For example instead of definition consultation and assessment consultations 1 & 2 we would have had evaluation consultations 1, 2 & 3. This would not support the proposition that combining these two stages would improve participation in modification process. If you consider those proposals that went through just assessment and report stage then number of responses for those seem to be no different to those following all three stages. This also does not suggest that response rates are linked to number of stages, or number of consultations.

A key component of this change is to improve numbers of Parties participating in modification process. Modification suggests that this is due to number of consultations but there is little evidence to support this statement. For example, these Parties might:

- a) be content to leave others to respond and rely on Authority to ensure changes do not prejudice BSC Parties.
- b) feel that their responses will have little impact on progression of proposals.
- c) have issues with timescales and that consultations tend to come out as a group post a BSC Panel meeting with some weeks with no consultations being sent out.

Any of these could be reasons for non-participation, but without evidence it is difficult to determine reasons and, therefore, provide a potential solution. Before this modification is taken forward information from Parties not responding should be sought outside normal modification process, i.e. face to face interviews. From those interviews reasons for non-response to proposals could be ascertained. This could support justification of this proposal that there are too many consultations on proposals. Even if this is true combining definition and assessment stage does not in itself suggest that this would reduce number of consultations as experience of previous 95 modifications indicates. However, this would indicate that further work is required to create an alternative modification that might lead to improved participation by Parties.

A consequence of this proposal and introduction of standing groups is that those groups could have a greater impact on how a modification is progressed. As majority of membership is likely to be provided by larger Parties there is a concern that Parties with no representation on a group could feel that they have little chance of impacting development of any modification. This issue will need consideration prior to finalising any changes under this modification.

**P96\_ASS\_008 – Innogy**

<b>Respondent:</b>		<b>Terry Ballard</b>
<b>Representing (please list all Parties)</b>		<b>Innogy, Innogy Cogen Ltd, Innogy Cogeneration Trading Ltd, npower Ltd npower Direct Ltd, npower Northern Ltd, npower Northern Supply Ltd, npower Yorkshire Ltd, npower Yorkshire Supply Ltd</b>
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES / NO</b>	It should further promote efficiency in the implementation and administration of the balancing and settlement arrangements.
<b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?	<b>YES / NO</b>	Subject to the existing safeguards in Sections F2.2.8 & F2.2.9 of the BSC
<b>Q3.</b> Do you believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.	<b>YES / NO</b>	
<b>Any further comments:</b>		

**P96\_ASS\_009 – Aquila Networks**

Please find that Aquila Networks response to P96 Assessment Consultation is 'No Comment'.

regards  
Rachael Gardener

Deregulation Control Group &  
Distribution Support Office  
AQUILA NETWORKS

**P96\_ASS\_010 – LE Group**

<b>Respondent: LE Group</b>		
<b>Representing (please list all Parties)</b> London Electricity Group Plc, London Electricity Plc, Jade Power Generation Ltd, Sutton Bridge Power Ltd, West Burton Power, London Power Network Plc, Eastern Power Network Distribution Ltd and ECS.		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES</b>	In allowing a degree of overlap, P96 could add flexibility into modifications' definition and assessment, which would promote efficiency into the modification process.
<b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?	<b>YES</b>	We believe that the limit of 5 months would be sufficient in the majority of modifications and that if the Panel see fit the Evaluation phase could be longer or shorter. It would also be useful for the Panel to give some indication of whether a modification will require a certain amount of definition during the evaluation.
<b>Q3.</b> Do you believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.	<b>YES / NO</b>	

**Any further comments:** LE Group is in favour of the refinement of the modification process, which is presently rather rigid. The merger of definition and assessment into an “evaluation phase” would allow the initiation of, for example, impact assessments much earlier giving the modification group more time to evaluate evidence to base their recommendations on. We would also like to iterate our continued belief in the importance of retaining the definition phase, albeit in a more flexible form. It might be appropriate for the Panel to ask for progress reports during a large evaluation phase.

**P96\_ASS\_011 – Immingham CHP LLP**

Thank you for the opportunity to comment on the assessment consultation, which Immingham CHP LLP supports.

It is important that the modification rules balance due process and enable flexibility, whilst avoiding unnecessary prescription. We consider that P96 represents a better balancing of these factors than the current modification process. In particular the current definition phase seems to add few benefits to the overall process but creates costs and process complexity. It is also relevant that the new standing groups should provide a mechanism that should enable definitional issues to be properly addressed before a modification proposal is formally introduced under the BSC, rendering a formal definition phase unnecessary.

George Armistead  
Conoco Global Power (UK) Ltd.

<b>Respondent: George Armistead/Maureen McCaffrey</b>		
<b>Representing (please list all Parties): Immingham CHP LLP</b>		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES</b>	The merger of the definition and assessment phases into one evaluation phase will remove process delays inherent in the current modification arrangements. This change should lead to modification proposals being processed in a more expedient manner thus better facilitating the achievement of BSC objective (d).
<b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you	<b>YES</b>	A five month maximum time scale is comparable to the present timescale for the combined definition and assessment phases, and clearly in some cases a prolonged timescale

agree with the value of 5 months?		is sensible. The Panel should retain the discretion to shorten this time scale where it considers it necessary.
<b>Q3.</b> Do you have believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.	<b>NO</b>	
<p><b>Any further comments:</b></p> <p>It is important that the modification rules balance due process and enable flexibility, whilst avoiding unnecessary prescription. We consider that P96 represents a better balancing of these factors than the current modification process. In particular the current definition phase seems to add few benefits to the overall process but creates costs and process complexity. It is also relevant that the new standing groups should provide a mechanism that should enable definitional issues to be properly addressed before a modification proposal is formally introduced under the BSC, rendering a formal definition phase unnecessary.</p>		

**P96\_ASS\_012 – NGC**

<b>Respondent: Clare Talbot</b>		
<b>Representing (please list all Parties) National Grid</b>		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES</b>	The proposal is aimed at streamlining and improving the effectiveness of the modifications process and as such meets with the objective of

		<p>promoting efficiency in the implementation and administration of the balancing and settlement arrangements.</p>
<p><b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?</p>	<p><b>YES</b></p>	<p>The 5 month period is consistent with current arrangements with the option to extend or reduce the review period with Panel/Ofgem approval as appropriate.</p>
<p><b>Q3.</b> Do you believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.</p>	<p><b>NO</b></p>	
<p><b>Any further comments:</b></p> <p>The Evaluation Procedure still incorporates the definition activity, which is in place to ensure that the Modification Group fully understands the scope and objectives of the Modification Proposal. Once the Chairman and Modification Group members are agreed that the requirements of the definition activity have been satisfied, they can move discussions to the next stage of the evaluation, without the requirement to call a halt to proceedings to present a report to the Panel.</p> <p>As a formal record of this process it may be sensible for the conclusions of the definition activity to be recorded so that the Modification Group are clear on the outline of the proposal that they are taking forward. This could be fulfilled by the Modification Group Chairman completing a Modification Proposal Form stating the nature of the Modification to be progressed to the next stage in evaluation. This would serve as an agreed statement of the Modification to be assessed for the Modification Group and a progress report to the Panel without the need to halt discussions by providing a formal definition report. In cases where the original proposal is clearly defined there maybe no requirement for this action to be taken. On their first consideration of each proposal the Panel could determine whether such a report was necessary or that the original modification proposal was sufficiently well defined.</p>		

**P96\_ASS\_013 – Scottish Power**

<b>Respondent:</b> Man Kwong Liu		
<b>Representing (please list all Parties)</b> Scottish Power UK Plc.; ScottishPower Energy Trading Ltd.; Scottish Power Generation Ltd.; ScottishPower Energy Retail Ltd.; SP Transmission Ltd; SP Manweb Plc		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code	<b>YES</b>	P96 provides a more flexible approach to progress a modification proposal through the modification process and would help to promote efficiency in the implementation and administration of the trading arrangements.
<b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?	<b>YES</b>	Essentially, it is correct to maintain the same maximum length of time as at present for a proposal to progress through the process. This will ensure that Parties have the same opportunity to present their views and it will not curtail the transparency of the process. A shorter time period could potentially be seen as an attack on due process and a limit on Parties' contribution. It will allow the Panel, within the context of a more flexible timetable, to allow Mods Groups to move debate forward to assessment more quickly than is the case at present. It should also allow the Mods Groups, through regular reporting to the Panel, to present conclusions or seek guidance on difficult issues more timeously.

<p><b>Q3.</b> Do you believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.</p>	<p><b>NO</b></p>	<p>A possible Alternative might require more than one mandatory consultation during the Evaluation phase. However, we believe that strengthened Terms of Reference for Mod Groups, which allow them to report back frequently to the Panel on progress and which allow them flexibility in requesting views from Parties on more contentious issues, may be a better way forward.</p>
<p><b>Any further comments:</b> At present, the Definition phase tends to be used to refine (rather than define) a modification proposal. This suggests that there is already some basis from which the Mods Group may be able to assess the proposal. However, the Definition phase does not allow that progress to be made efficiently as part of a single evaluation process. Assessment has to be left to a separate phase rather than allowing a natural progression of the proposal through refinement to assessment. The Definition phase also requires a separate report to be produced which acts as a drain on Exelon's and Parties' time and effort.</p> <p>There is now the potential for <b>all</b> Parties to use recently formed Standing Groups to test their proposals as issues prior to formally raising them. This should lead to better defined proposals from the outset, which would make the Definition phase redundant. The Panel could also take the opportunity afforded by P96, if approved, to provide Mods Groups and Standing Groups with strengthened Terms of Reference which would allow more regular reporting back of progress and further consultation with Parties where the Groups consider this to be appropriate in evaluating proposals.</p>		

**P96\_ASS\_014 – Powergen**

<b>Respondent:</b> Christiane Sykes		
<b>Representing:</b> Powergen Uk plc, Powergen Retail Limited, Diamond Power Generation Limited and Cottam Development Limited		
<b>Question</b>	<b>Response</b>	<b>Rationale</b>
<p><b>Q1.</b> Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives than the current version of the Balancing and Settlement Code</p>	<p><b>YES</b></p>	<p>The proposal creates a more streamlined process for examining modifications. It helps eliminate the wasted time and effort expended by the BSC Panel, Elexon and market participants in considering Definition Reports. In so doing it will also reduce the end-to-end time for consideration of a particular modification proposal.</p> <p>In practice it is often impossible to properly define a modification before sufficient analysis has been carried out at the assessment stage. P75 Introduction of Zonal Transmission Losses is a case in point, where load flow modelling of TLFs was required before a proper definition could be established. In practice a sequential process i.e. definition followed by assessment doesn't always work because there is necessarily iteration between the two phases. Unfortunately definition first often results in closing off options too early.</p> <p>This proposal will significantly improve the effectiveness of the BSC Modification Procedures.</p>

		It therefore better achieves the applicable BSC objective (d) by promoting 'efficiency in the implementation and administration of the balancing and settlement arrangements'.
<p><b>Q2.</b> Under P96, the Panel would either send a modification to an Evaluation Phase (combining the existing Definition and Assessment Phases) or straight to the Report Phase. The Panel would normally specify an evaluation period of up to 5 months, with a longer period being permitted provided the Authority do not direct a shorter timescale. Do you agree with the value of 5 months?</p>	<b>YES</b>	5 months evaluation should be ample, as merging the processes will cut the overall time taken to define and assess a modification. In most cases 4 months will be sufficient as 1 month 'dead time' spent on preparing and consulting on a Definition Report in time for a BSC Panel 'paper day' will be avoided.
<p><b>Q3.</b> Do you have believe that there exists a possible Alternative Modification that may better facilitate the achievement of the Applicable BSC Objectives, when compared with the original Modification Proposal. If yes, please provide details.</p>	<b>NO</b>	There are a number of other reforms that would also help to streamline the current bureaucratic Modification Processes. However, it might prejudice the success of this modification if we were to attempt to incorporate such changes into this modification at this stage.
<p><b>Any further comments:</b></p>		

## **P96\_ASS\_015 – Scottish and Southern Energy**

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

In relation to the Assessment Consultation on Modification Proposal P96 contained in your note of 2nd October 2002, our comments and answers to the three questions listed are as follow:-

Q1

Yes. We believe that this Modification Proposal will better facilitate the BSC Objectives in some cases. However, this methodology shouldn't be a blanket approach to be applied to all Modification Proposals (see our comments under '3' below).

Q2

Yes. We agree that 5 months should be a suitable target for resolving all Modification, no matter how it is progressed.

Q3

Yes. We would suggest that the Panel should be able to use its discretion to progress Modification Proposals through one of the following four 'channels':-

- Separate Definition and Assessment; or
- Combined Definition and Assessment; or
- Straight to Assessment; or
- Urgent Modification.

In addition to the above we would further comment that generally we agree that in some cases it would be appropriate to merge the Definition and Assessment phases. However, the quality of Modification Proposals varies considerably as does the importance of the issue they seek to address and the potential impact of the proposal. Some Modification Proposals are very well thought through and drafted, in which case it may be appropriate to move straight to the Assessment Phase. Some may be fairly straightforward or the scope and impact quite narrow so that even if they are not well defined the two phases could be merged. On

the other hand some have been very vague and it hasn't always been clear exactly what problem the proposer was seeking to address, let alone how they were seeking to address it. In this case a separate Definition Phase is appropriate to ensure everyone understands and has the opportunity to comment on what they believe the scope of the problem and possible solutions should be, before any analysis or assessment is carried out. By adopting our suggested approach in answer to Question 3 above, the Panel would be given the responsibility to review each Modification Proposal on an individual basis and decide which one of the four 'channels' should be used to progress with a particular Modification Proposal.

Regards

Garth Graham  
Scottish & Southern Energy plc