

Modification Proposal	MP No: 97 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Modification to enable ELEXON to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)	
Submission Date <i>(mandatory by proposer):</i> 30 August 2002	
Description of Proposed Modification <i>(mandatory by proposer):</i> <p>This proposal authorises ELEXON to provide or procure assistance to the Gas and Electricity Markets Authority (the Authority) in connection with the development of the BETTA project, primarily assistance in:</p> <ul style="list-style-type: none"> • developing the principles of a balancing and settlement code for Great Britain (a GB BSC); • the preparation of a draft GB BSC and code subsidiary documents for the GB BSC; • the negotiation of arrangements for provision of services for the GB BSC equivalent to those BSC Agents; • planning and preparing for the transition (from the existing arrangements in England and Wales and in Scotland) to and introduction of a GB BSC. <p>For each area of work proposed to be undertaken approval would be sought from the Authority. ELEXON would be able to request services from BSC Agents, and use and disclose BSC data and systems for purposes of providing assistance to the Authority. As this proposal is a transition measure ELEXON would not be permitted to carry out BETTA development work beyond 31 March 2005.</p> <p>The BSC Panel would have the opportunity to review the scope of work and levels of expenditure to help provide assurances to the industry that ELEXON's BETTA work is not prejudicing their ability to satisfy their existing BSC obligations supporting operations in England and Wales. This would be achieved through regular progress and financial reports to the BSC Panel. As soon as is reasonably practicable following approval of this modification ELEXON would publish a schedule of work and an annual budget for BETTA development work. Budgets for subsequent years would be included in the normal annual business planning process. At least every other month ELEXON would be required to report to the BSC Panel on the progress of BETTA development work, actual expenditure and variances against budget.</p> <p>BETTA development work would be accounted for separately and a separate 'funding pot' established. Initial funding would be by BSC Parties (or BSC Parties with sister or parent companies) serving the Scottish electricity supply market in proportion to a 'snap-shot' of current market shares by volume. This data could be provided by Scottish Electricity Settlements Limited or based on the most recent competitive market survey data collated from time to time by the Authority.</p> <p>It is anticipated that this initial funding would ultimately be recovered over a number of years through a charging mechanism developed under the GB BSC. This might involve a rebate mechanism to the original funding parties similar to that specified for NETA costs outlined in Section D of the BSC. In the unlikely event that the BETTA project was to be abandoned the original funders would bear the full costs of any BETTA development that had been incurred to that date. This protects companies serving the England and Wales market from an unreasonable cost burden, which simply arose from the desire to extend 'NETA type' trading arrangements to Scotland (a market in which they may or may not have an interest).</p>	

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<p>Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i></p> <p>In fulfilling the current BSCCo role, ELEXON is limited to providing and procuring resources and services to support the BSC in the England and Wales electricity market. This proposal will enable ELEXON to formally carry out initial preparatory work in connection with the BETTA project, whilst ensuring BSC Parties solely generating or supplying electricity in England and Wales are not required to provide the initial funding for such work.</p> <p>Through separate ELEXON accounting and budgeting a framework is created within the BSC to ensure that costs can, at a future date, be appropriately targeted at parties that will ultimately benefit from the introduction of BETTA.</p>	
<p>Impact on Code <i>(optional by proposer):</i></p> <p>Sections C and D</p>	
<p>Impact on Core Industry Documents <i>(optional by proposer):</i></p> <p>Not known</p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i></p>	
<p>Impact on other Configurable Items <i>(optional by proposer):</i></p>	
<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i></p> <p>This proposal has been put forward in anticipation of a forthcoming amendment to the Applicable BSC Objectives under NGC's Transmission Licence, which would specifically allow ELEXON to carry out preparatory work for BETTA. Nevertheless existing Applicable BSC Objectives c and d also apply:</p> <p>BETTA further promotes competition in the generation and supply of electricity across a unified GB market. Without this proposal ELEXON would be prevented from carrying out BETTA development work delaying the anticipated realisation of such benefits. If the BETTA project were not to go ahead the suggested 'default' funding arrangements targeted at companies currently operating in Scotland mean BSC Parties solely generating and/or supplying electricity in England and Wales would face no additional costs, thereby helping to maintain their relative competitiveness in that market.</p> <p>The proposed separate accounting and budgeting for BETTA development work will ensure costs are transparent to all BSC Parties. This will enable BSC Parties to both monitor costs and be confident that ELEXON activities relevant to the England and Wales market are not cross-subsidising BETTA work. This improved management should help promote efficiency in the administration of the balancing and settlement code.</p>	

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Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	