

September 2002

**INITIAL WRITTEN ASSESSMENT OF
MODIFICATION PROPOSAL P99:**

**Changes to Accreditation and the PARMS
Serials and Standards resulting from the
Performance Assurance Framework (PAF)
Review (Phase 1)**

Prepared By ELEXON Limited

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DOCUMENT CONTROL

a Authorities

Version	Date	Author	Signature	Change Reference
0.1	04/09/2002	Change Delivery		
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Version	Date	Reviewer	Signature	Responsibility
0.1	05/09/2002	Change Delivery		

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

c Intellectual Property Rights and Copyright

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1 EXECUTIVE SUMMARY

Modification Proposal P99 was raised by British Gas Trading on 2 September 2002 on behalf of the PAF Review Project. The Review is a Panel-sponsored initiative that seeks to review the level of assurance provided across the range of BSC trading arrangements and to bring together the separate assurance frameworks for Supplier Volume Allocation (SVA) and Central Volume Allocation (CVA). P99 aims to implement the solutions proposed by the PAF Review Project.

The initial assessment of P99 has identified that P99 impacts Sections J and S of the BSC.

The Panel is invited to:

- **NOTE the results of the Initial Written Assessment;**
- **DETERMINE that Modification Proposal P99 should be submitted to the Assessment Procedure in accordance with Section F2.6 of the Code;**
- **AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel for consideration at their meeting of 14 November 2002;**
- **DETERMINE that the Assessment Procedure should be undertaken by the Volume Allocation Standing Modification Group, with an invitation to previous members of the PAF Review groups.**

2 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

3 DETAILS OF THE MODIFICATION PROPOSAL

P99 aims to implement changes to three of the BSC performance assurance techniques: Accreditation, Entry Processes and PARMS Serials and Standards. Phase 1 of the PAF Review also considered the BSC Audit; changes to this process have already been agreed by the Panel and are being progressed outside this Modification Proposal.

The three techniques within the scope of Phase 1 of the PAF Review were Accreditation, Entry Processes and PARMS Serials and Standards. Each technique was analysed by an Expert Group formed from members of the Risk Assessment Group (RAG), which itself consisted of industry participants representing a range of market roles. The RAG reviewed the findings of each of the Expert Groups and presented the proposed solutions to the Panel for approval at its meeting on 18 April 2002, also expressing its intention to raise a Modification Proposal in due course to implement the necessary changes to the BSC. The Panel agreed with the solutions proposed by the PAF Review Project, but requested that they be issued to industry for consultation prior to the submission of a Modification Proposal.

The PAF Review Project duly issued the proposed solutions for industry consultation and received a favourable response along with early estimates of participant impacts.

The proposed changes to each of the assurance techniques can be summarised as follows:

Accreditation

- A new process with lower internal and external costs that is simpler for all participants to use;
- A new certification checklist that should be easier to use by all different types of agent;
- New agents requiring accreditation to work with ELEXON Technical Assurance to carry out a risk assessment and decide upon a risk level (High, Medium or Low). High risk agents will require certification by the Certification Agent;
- An improved re-certification process and an Additional Certification process for agents expanding their roles.

Entry Processes

- Re-definition of test scenarios and scripts to reflect identified operational issues;
- Use of the Entry Process Agent (ELEXON, MRASCo or SESL) to simulate the role of other parties during testing;
- Qualifying new agents that a Supplier is allowed to use individually (as opposed to testing the Supplier against every other agent in the Supplier Hub);
- Checking that Suppliers have Business Continuity Plans in place as part of the readiness checks.

PARMS Serials and Standards

- A new set of serials and standards, retaining, amending and adding to the present set where appropriate;
- Use of a new approach for data acquisition. lightening the load on all Suppliers, which will also include a process to allow Suppliers and agent to validate data;
- National-level reporting of agent performance as opposed to GSP Group (GSPG) level;
- Examination of Peer Comparison reports to provide a condensed summary of readable statistics.

In addition to the changes proposed to sections of the BSC, alterations are also required to PARMS systems, BSC Procedures, Service Lines and other Configurable Items.

4 IMPACT ON BSC SYSTEMS AND PROCESSES

BSC System / Process	Potential Impact of Proposed Modification
PARMS System	Minor changes to reflect new and amended serials and data flows and the national-level reporting of agent performance.
SVAA PARMS Reporting System	Minor changes to the set of reports sent to ELEXON.

5 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

System / Process	Potential Impact of Proposed Modification
Participant PARMS submission systems	Changes required to enable new reports to be generated and submitted to ELEXON.

6 IMPACT ON DOCUMENTATION

6.1 Impact on Balancing and Settlement Code

The PAF Review Project has identified the changes to sections J and S of the BSC that are believed necessary to implement the solutions contained in its findings. The proposed changes are contained in Annex B of this to this Initial Written Assessment.

6.2 Impact on Code Subsidiary Documents

Code Subsidiary Document	Potential Impact of Proposed Modification
BSCP511: Entry Process – Supplier Meter Registration Service	Replacement of the SMRA Readiness Checklist with a more generic Certification Checklist; re-definition of SMRA test scenarios and scripts; and a reference to the ability of the Entry Process Agent to take on the role of other parties during testing.

Code Subsidiary Document	Potential Impact of Proposed Modification
BSCP512: Entry Process – Supplier	Introduction of the ability of the Entry Process to simulate the role of other parties for testing purposes; Re-definition of Supplier testing scenarios and scripts; An additional check for Business Continuity Plans; and A new clause allowing Suppliers approved by PAB for operation with a particular agent to operate with every other agent in the Supplier Hub.
BSCP531 – Accreditation	Substantial rewrite of the accreditation procedure, including a new Self-Assessment Accreditation Return (SACR) form and a new process for Additional Certification.
BSCP533 – PARMS Data Provision	Major changes in the provision of data from Suppliers, SMRAs and SVAA; Amendments to the list of serials and associated data flows to align with those as modified in Annex S-1 of the BSC; Introduction of an optional data verification process for Suppliers and agents where no other arrangements to check data quality have been agreed contractually.
BSCP534 – PARMS Techniques	New requirement on Performance Assurance Administrators to examine and condense Peer Comparison reports into an easily readable and accessible set; Introduction of national-level agent performance reporting.
BSCP536 – Supplier Liquidated Damages	Extensive revisions to serial numbering and their related charges to align with the set in Annex S-1 of the BSC.
BSC SVA Data Catalogue (Part 1)	Amendments to data flows and associated serials to align with BSCP533 and Annex S-1 of the BSC.
PSL110 – SVA Meter Operation	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.
PSL120 – Non Half Hourly Data Collection	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.
PSL130 – Half Hourly Data Aggregation	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.

Code Subsidiary Document	Potential Impact of Proposed Modification
PSL140 – Non Half Hourly Data Aggregation	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.
PSL150 – Half Hourly Data Aggregation	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.
PSL160 – Supplier Meter Registration Service	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.
PSL180 – CVA Meter Operation	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.
SSL300 – Supplier Volume Allocation	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.
SSL310 – Daily Profile Production	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.
SSL360 – Market Domain Data	Amendment to set of serials to align with BSCP533 and Annex S-1 of the BSC.

7 IMPACT ON OTHER CONFIGURABLE ITEMS

The BSC Website User Requirement Specification (URS) will require changes to reflect new Entry Processes and to make new accreditation and documentation available for download.

8 IMPACT ON CORE INDUSTRY DOCUMENTS

Minor changes may be required to data flows in the MRA Data Transfer Catalogue to enable new serials to be measured.

9 IMPACT ON ELEXON

Area of Business	Potential Impact of Proposed Modification
Entry Processes	Amendments to Local Working Instruction and Industry Guide to reflect new process.
Accreditation Administration	Amendments to Local Working Instruction and Industry Guide to reflect new process.
BSC Website	One-off change to reflect new Entry Processes and accreditation documentation.

10 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

No impact identified at this time.

11 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

Minor change required to the Certification Agent contract to reflect new requirements.

12 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

The Initial Assessment indicates that while the scope of P99 is sufficiently defined, further analysis is required to confirm the costs and timescales of implementation, particularly in light of the large number of Code Subsidiary Documents and Configurable Items that require extensive revision. Therefore, ELEXON recommend that P99 be submitted to a 2-month Assessment Procedure by the Volume Allocation Standing Modification Group such that an Assessment Report may be presented to the Panel at its meeting on 14 November 2002.

The Assessment Period will be used to obtain a detailed impact assessment of P99 from participants and BSC Agents as well as ELEXON, and to construct a project brief based upon the responses such that detailed implementation timescale can be determined. The Assessment is not intended to revisit the solutions proposed by the PAF Review Project, but rather to confirm suspected impacts and determine a clear way forward for all the systems, documents and processes affected by the PAF Review.

ANNEX A – MODIFICATION PROPOSAL P99

Modification Proposal	MP No: 99 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Changes to Accreditation and the PARMS Serials and Standards, resulting from the Performance Assurance Framework (PAF) Review (Phase 1)	
Submission Date <i>(mandatory by proposer):</i> 2 September 2002	
Description of Proposed Modification <i>(mandatory by proposer):</i> This modification proposes amendments to the Code, where appropriate, following the Panel approval of the review of the PAF and the Panel initiated industry consultation on the proposals of the review. The first phase of the PAF Review assessed the following PAF techniques: <ul style="list-style-type: none"> • Entry Processes • Accreditation • PARMS Serials and Standards • Audit (which is not relevant to this Modification Proposal as the Panel has already agreed the changes). <p>It should be noted that most of the change will be to subsidiary documentation to the Code and will be effected through Change Proposals. The changes proposed for Entry Processes can be effected entirely through Change Proposals. The Accreditation and Serials and Standards proposals will however both require minor changes to the Code itself.</p>	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> Following feedback from Market Participants and Ofgem, the BSC Panel established the PAF Project to review all aspects of the techniques outlined above. The purpose of the review was to ensure that the PAF is delivering an appropriate level of assurance across the full range of the BSC trading arrangements in a cost-effective manner.	
Impact on Code <i>(optional by proposer):</i> <p>Accreditation BSC Section J will be impacted, proposed changes are attached as Annex 1.</p> <p>Serials and Standards BSC Section S of the Code will be impacted.</p>	
Impact on Core Industry Documents <i>(optional by proposer):</i> MRA DTC	

Modification Proposal	MP No: 99 <i>(mandatory by BSCCo)</i>
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> The following systems will change : <ul style="list-style-type: none">• PARMS system;• SVAA PARMS reporting system;• Supplier PARMS submission process.	
Impact on other Configurable Items <i>(optional by proposer):</i> Entry Processes BSCPs 511 and 512 require minor changes Accreditation BSCP 531 – requires significant changes Serials and Standards BSCPs 533/534/536 will require significant changes	

Modification Proposal	MP No: 99 <i>(mandatory by BSCCo)</i>
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> <p>The proposed changes will address the following BSC Objectives :</p> <ul style="list-style-type: none">Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity; <p>Lower barriers to entry will be achieved through simpler, easier to use Accreditation scripts and making the burden of PARMS data less for Suppliers.</p> <p>There will also be a simpler and cheaper Accreditation process for low risk participants and a clearer more focused PARMS data set, which will be less daunting for the prospective participant.</p> <ul style="list-style-type: none">Promoting efficiency in the implementation and administration of the balancing and settlement arrangements. <p>The Accreditation tests will be focused on different areas to ensure that the market is adequately protected, but that the tests are simplified, while superfluous PARMS data requirements will be removed and a results orientated approach adopted.</p> <p>The new Accreditation Checklist will address current data issues. The revised Re-certification process will highlight risks to the market in these areas and ensure that adequate re-testing is performed.</p> <p>Additions to PARMS data propose to include: Change of Agent flows; CVA MOA issues, Exception reporting and the quality of Supplier flows. All of these areas will contribute to a more contemporary and user-friendly data set.</p> <p>Both proposals will reduce ongoing cost and effort for participants, although this is coupled with an initial cost.</p> <p>The proposals would also contribute to producing a complementary and robust PAF, which will give parties assurance on the trading arrangements, in which the parties operate.</p>	
Details of Proposer: <p style="text-align: center;">Name: Rob Cullender Organisation: BGT Telephone Number: 01784 645 853 Email Address: Rob.Cullender@centrica.co.uk</p>	

Modification Proposal	MP No: 99 <i>(mandatory by BSCCo)</i>
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	
Details of Representative's Alternate: Name: Paul Jones Organisation: Powergen Telephone Number: 024 7642 4829 Email Address: Paul.Jones@pgen.com	
Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	

ANNEX B – DRAFT CHANGES TO THE BSC FOR P99

Attached as a separate document.