



December 2002

## **Assessment Report**

### **P99 – Changes to Accreditation and the PARMS Serials and Standards, resulting from the Performance Assurance Framework (PAF) Review (Phase 1)**

**Prepared by the VASMG on behalf of the Balancing  
and Settlement Code Panel**

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The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
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### c Related Documents

Reference	Document
Reference 1	P99 Modification Proposal 'Changes to Accreditation and the PARMS Serials and Standards resulting from the Performance Assurance Framework (PAF) Review (Phase 1)
Reference 2	P99IWA10 Initial Written Assessment for P99
Reference 3	P99RS10 Requirements Specification for P99
Reference 4	Modification Circular MC00017 – Detailed Level Impact Assessment of P99
Reference 5	Modification Circular MC00027 – Additional DLIA of P99

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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 P99 'Changes to Accreditation and the PARMS Serials and Standards, resulting from the Performance Assurance Framework (PAF) Review (Phase 1)' (P99) during the Assessment Procedure, the Volume Allocation Standing Modification Group (VASMGM) recommends that the BSC Panel:

- a) **NOTE the contents of the P99 Assessment Report and the recommendations of the VASMGM;**
- b) **AGREE that a provisional recommendation be made that the Proposed Modification P99 should be made with an Implementation Date of 1 December 2003, if a decision is received from the Authority prior to 1 March 2003; or 9 months following the Authority decision, if such decision is received after 1 March 2003;**
- c) **ENDORSE the recommendation of the VASMGM and proceed to the Report Phase in accordance with Section F2.7 of the Code; and**
- d) **AGREE that a Draft Modification Report be issued for consultation and submitted to the Panel meeting on 16 January 2002.**

Furthermore, the Panel is invited to note that Modification Proposal P81 (Removal Of The Requirement For Half Hourly Metering On Third Party Generators At Domestic Premises) is currently with the Authority for decision, and should it be approved with the recommended software Implementation Date of 20 January 2003, the Implementation Date of P99 may require revision.

### 1.2 Background

In September 2001 the Balancing and Settlement Code Panel ('the Panel') initiated a review of the Performance Assurance Framework (PAF) within the Trading Arrangements, with a view to reducing the costs incurred by BSC Parties while maintaining or improving the level of assurance provided. Phase 1 of the PAF Review focused on the techniques of Accreditation, Audit, Entry Processes and the PARMS (Performance Assurance Reporting And Monitoring Service) Serials and Standards; a second phase is currently underway and is looking at other areas of assurance. Each technique was analysed by an expert group comprised of industry participants representing a range of market roles and the findings of the analysis was presented to the Panel for approval on 18 April 2002. The Panel agreed with the recommendations of the PAF Review and requested that they be issued to industry for formal consultation.

The majority of industry responses to the consultation supported the PAF Review's recommendations. The relevant expert groups discussed the queries and suggestions raised by participants during the consultation and where appropriate, actions were taken to modify the proposals accordingly.

On 2 September 2002, British Gas Trading raised P99 in order to implement the recommendations of the PAF Review. Of the four techniques contained within Phase 1, only the Accreditation and PARMS improvements require a Modification to the Code. The audit improvements are the responsibility of the Panel and are being progressed separately, while the changes required for the improvements to Entry Processes relate only to Code Subsidiary Documents and not the Code itself. P99 (Reference 1) however, aims to deliver Phase 1 of the PAF Review in one single implementation, and so the scope of

the Modification includes making the necessary changes in order to implement the agreed improvements to Entry Processes.

The Initial Written Assessment for P99, (Reference 2) was presented to the Panel on 12 September 2002 and recommended that:

- P99 be submitted to a two-month Assessment Procedure conducted by the Volume Allocation Standing Modification Group (VASMG); and
- the Assessment Report for P99 be submitted to the Panel meeting of 14 November 2002.

The Panel endorsed these recommendations and agreed that the Assessment Procedure should focus as far as possible on the implementation of the PAF Review rather than the recommendations themselves, as they have already undergone extensive industry consultation.

The VASMG first met to discuss P99 on 27 September 2002. During the meeting the VASMG reviewed a draft Requirements Specification, which outlined the recommendations of the PAF Review, and also discussed the type of questions that needed to be put to participants for consultation. Following the meeting, the Requirements Specification for P99 (Reference 3) was reviewed and approved by the VASMG by correspondence and on 17 October 2002 was issued to Parties for consultation. In parallel, Modification Circular MC0017 (Reference 4), requesting Detailed Level Impact Assessment (DLIA) of P99, based upon the detail in the Requirements Specification, was issued to Parties, Party Agents, the SVA Agent (SVAA) and the Central Data Collection Agent (CDCA).

The VASMG met again on 1 November 2002 to discuss the responses to the consultation and impact assessment. While the responses were supportive of the Modification Proposal in principle, they highlighted that many respondents required a further level of technical detail before being able to provide a sufficiently detailed impact on their organisation in respect of the proposed PARMS changes, particularly in terms of the costs they would incur and the lead times required. Consequentially the VASMG concluded that additional analysis was required to enable participants to better evaluate the extent of the impact on the PARMS proposals. Therefore, at the Panel meeting on 14 November 2002 the VASMG sought and obtained a one-month extension to the Assessment Procedure in order to allow additional PARMS details to be specified and provided to participants for an additional impact assessment such that their support for P99 could be better determined. The extension also allowed ELEXON to clarify the expected costs and lead times in relation to the changes to its central systems, required together with participant data to allow a suitable Implementation Date to be agreed by the VASMG.

### **1.3 Rationale for Recommendation**

The VASMG assessed P99 against the Applicable BSC Objectives and the responses from the industry consultation and impact assessment.

The intention of P99 was to both promote competition in electricity supply and improve the overall efficiency of the trading arrangements, and in doing so better facilitating Applicable BSC Objectives (c) and (d).

The consultation responses showed that a majority of respondents (58%) believed that P99 would better facilitate Applicable BSC Objectives (c) and (d). However, many respondents argued that, should the participant implementation for the PARMS improvements be excessive, they would be unhappy to support P99 on the basis that the BSC Objectives may not be met. The VASMG considered these views at its meeting on 1 November 2002 and agreed that in principle P99 would better facilitate the Applicable BSC Objectives and should be recommended for implementation, but only provided the

estimated participant costs were reasonable and did not outweigh the benefits of the Modification Proposal.

In order to determine the extent of the costs to industry, the VASMG met again on 2 December 2002 and reviewed the responses to the additional impact assessment. The rudimentary costs-benefits analysis undertaken by the VASMG based on these responses (discussed in detail in Section 13) indicated that in the long term the initial start-up costs of P99 would be significantly outweighed by the benefits available to participants in improving operational efficiency and data quality. When considering the implementation costs on a per Metering System basis, the VASMG felt that the estimated costs for the two measurement classes (8 pence for NHH, £12 for HH) were reasonable. Therefore, with the benefits established, the VASMG unanimously agreed that, of the three aspects of P99, the Entry Process and Accreditation changes would better facilitate Applicable BSC Objective (c) and the PARMS improvements would better facilitate Applicable BSC Objective (d).

The estimated lead times provided in the various impact assessments were used by the VASMG as a basis for the determination of a suitable Implementation Date for P99. Of the participants that responded, most specified lead times of a minimum of 6 months from the time at which all the necessary technical details for PARMS are confirmed; one required 9 months (due to other business commitments) and another states 6 – 12 months. In addition, the extensive changes required to the ELEXON PARMS system would require a 9-month development timescale. Consequentially, the VASMG agreed to recommend an overall implementation period of 9 months following the Authority decision. Furthermore, existing essential developments scheduled to take place involving the Supplier Volume Allocation (SVA) systems (including PARMS) prevent the development required to PARMS for P99 being implemented before December 2003. Consequentially, the VASMG agreed that, should an Authority decision be provided prior to 1 March 2003, the Implementation Date of P99 should be 1 December 2003. The VASMG considered that this would give all the participants the time required to carry out the necessary developments while achieving the earliest Implementation Date that existing developments will allow.

The relationship between P99 and P81 highlighted in the SVA Agent impact assessment (Section 7), was noted by the VASMG and it was recognised that should P81 be approved, the Implementation Date of P99 may require revision in order to ensure the most effective and timely delivery of the SVAA PARMS software.

The VASMG considered the merit in recommending separate implementation dates for the PARMS changes and the rest of P99, on the basis that the Entry Process and Accreditation changes require less in the way of system development and could be delivered earlier. The VASMG accepted that in practical terms, the improvements for Entry Process and Accreditation could be delivered several months before the PARMS changes and this approach remains an option open to the Panel if it deems that the benefits of these two improvements in helping to remove barriers to entry are worthy of more urgent progression.

## **2 INTRODUCTION**

This Report has been prepared by ELEXON Ltd., on behalf of the Panel in accordance with the terms of the Code. The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

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

### 3 MODIFICATION GROUP DETAILS

This Assessment Report has been prepared by the VASMG. The membership of the VASMG for P99 is as follows:

<b>Member</b>	<b>Organisation</b>	<b>Role</b>
Mike Downing	ELEXON	Chairman
Stephen Francis	ELEXON	Lead Analyst
Rob Cullender	British Gas Trading	Proposer
Chris Pooley	Campbell Carr	Member
Jonathan Purdy	SEEBOARD	Member
Phil Russell	TXU	Member
Brian Nichol	Northern Electric	Member
Jill Ashby	Gemserv	Member
Robert Brown	Cornwall Consulting Limited	Member
Afroze Miah	Powergen	Member
Richard Harrison	Innogy	Member
Colin Prestwich	Marubeni	Member
Katherine Bergin	Scottish and Southern	Member
Clare Talbot	National Grid	Member

In addition the following attendees have attended one or more meetings during the Assessment Procedure:

<b>Name</b>	<b>Organisation</b>	<b>Role</b>
Justin Andrews	ELEXON	Chairman (1 <sup>st</sup> meeting)
Ben Haden	ELEXON (Perf. Assurance)	Attendee
Tom Bowcutt	ELEXON (Change Delivery)	Attendee
David Jones	ELEXON (Perf. Assurance)	Attendee
Andrew Latham	British Gas Trading	Attendee
Peter Varley	Gemserv	Attendee
Alec Thompson	LE Group	Attendee
Jerome Williams	Ofgem	Attendee
Catherine Monaghan	Ofgem	Attendee

### 4 THE PROPOSED MODIFICATION

P99 was raised by British Gas Trading on 2 September 2002 to progress the changes proposed by the PAF Review in relation to three of the Performance Assurance techniques used within the Trading Arrangements: Accreditation, Entry Processes and PARMs Serials and Standards.

All participants wishing to perform an active role in the Balancing and Settlement arrangements must undergo a certain level of testing to prove they are capable of trading effectively and without excessive risk to existing Parties and Party Agents. The PAF Review identified that in the current Accreditation procedure and Entry Process, the administration costs incurred by applicants are excessive and in the long term constitute an unnecessary barrier to entry. The Proposer believes that simplifying the more onerous administrative requirements on applicants, while ensuring that all the necessary tests and checks are still carried out, would serve to allow easier entry into the market for participants. In turn, this would promote competition in electricity generation and supply and so would better facilitate Applicable BSC Objective (c).

PARMS is used to monitor and report the performance of Parties and Party Agents against a set of serials, each of which represents a business event relevant to the Balancing and Settlement arrangements. The PAF Review identified areas where the serials could be modified or replaced to allow better market monitoring and to place greater incentives for participants to achieve their performance standards.

## **4.1 Operation of P99**

The Requirements Specification for P99 (Reference 3) explains in detail the changes proposed to Accreditation, Entry Processes and PARMS Serials and Standards by P99. This section represents a summary of the proposals:

### **4.1.1 Accreditation**

The following amendments would be made to the Accreditation procedures:

- a new Certification Checklist to replace the current Self-Assessment Certification Return (SACR), which would be shorter, less repetitive and easier to complete by applicants;
- a Risk Assessment process performed by BSCCo for each applicant, which upon completion would determine whether the applicant has to complete the Certification Checklist with the direct assistance of the Certification Agent;
- a clearer definition of the circumstances in which Re-certification is required to be completed; and
- a new process, Additional Certification, to be used where an existing participant (a Party Agent in particular) changes its market role to another that is similar or less onerous and so should not be subject to full certification but instead could apply for Re-certification.

### **4.1.2 Entry Processes**

The current Entry Processes would be altered to include the following:

- a revision to the set of functional test scripts to improve efficiency and better reflect current operational issues;
- a change to allow the Entry Process Agent to simulate the role of other participants when conducting interface tests;
- individual qualification of new Party Agents for use by Suppliers, so that a Supplier does not have to seek approval for every Supplier Agent combination in a Supplier hub, so long as all the necessary Agent to Agent tests have been completed satisfactorily;
- an additional check on the Supplier Readiness Checklist to confirm that suitable business continuity plans have been put in place by the applicant.

### **4.1.3 PARMS Serials and Standards**

The PARMS system and associated documentation would be revised as follows:

- introduction of a new set of Serials and Standards, created by retaining, modifying or removing those in the current set and adding new serials to monitor specific events;



- a change in approach to data acquisition, whereby Party Agent-related performance information would be submitted direct to BSCCo rather than via Suppliers, thus reducing an unnecessary workload for each Supplier;
- introduction of an 'N/A' option to report that a participant's performance against a serial has not been measured, potentially because the particular business event (e.g. Change of Supplier) has not happened – at present only a 0 or 100% performance figure can be provided which is misleading;
- Party Agent performance to be reported at a national level rather than on a GSP Group basis;
- Peer Comparison reports to be condensed and filtered by BSCCo to make them easier to read by participants.

Where a participant consistently fails to meet the performance standard required by a serial, in order to correct the problem and if necessary protect other participants from potential risk, a number of corrective techniques may be applied: Peer Comparison, Error and Failure Resolution, Supplier Charges, escalation to the Performance Assurance Board (PAB) and Removal of Accreditation.

Note that, although some serials have been selected for particular attention regarding Removal of Accreditation, in practice the PAB may initiate such procedures whenever it receives appropriate evidence. Furthermore, although the PAF Review identified some new or revised serials that may be appropriate for future Supplier Charges, the VASMG agreed not to implement any new Supplier Charges as part of P99..

## **5 ASSESSMENT AGAINST APPLICABLE BSC OBJECTIVES**

The VASMG unanimously believed that P99 would in principle better facilitate Applicable BSC Objectives (c) and (d) and thus achieve the aims of the PAF Review. The proposals relating to Accreditation and Entry Processes would reduce the amount of unnecessary administration in these areas, which would in turn lessen the workload on applicants (whether they are new or existing market participants) and promote competition (Applicable BSC Objective (c)). The enhancements to PARMS would encourage improvements in the performance of participants, helping to improve the running of the trading arrangements as a whole and so better facilitating BSC Objective (d).

However, the responses from the industry consultation indicated that, should the implementation costs incurred by each participant be excessive, particularly with regard to PARMS, then the ability of P99 to better facilitate the Applicable BSC Objectives may be compromised. Following review of the additional impact assessment responses the VASMG were satisfied that taking into account all the implementation costs, P99 would still better facilitate the Applicable BSC Objectives.

### **5.1 Consultation**

The VASMG reviewed the responses to the consultation and agreed the following determinations. The full details of the responses received are contained in Appendix A of this Assessment Report.

#### **Implementation Costs of PARMS Improvements**

The most frequent comment raised related to the costs that would be incurred by participants and particularly Supplier Agents in carrying out the system changes required by the proposed PARMS improvements. The VASMG noted these concerns but following review of the additional impact assessment responses (discussed in Section 11 of this Report), considered the costs to be reasonable.

### **Proposed PARMS Serials**

A number of respondents raised specific points in relation to the set of serials proposed by P99. Many of these were minor suggestions to wording or requests for clarification, however, some responses rejected certain serials outright. The VASMG agreed that, while the set of serials have undergone a consultation process as part of the PAF Review, it would be necessary to ensure that the serials were correct and did not contain any fatal flaws that may prejudice P99's ability to better facilitate the BSC Objectives. The VASMG reviewed and discussed all the comments raised and agreed several revisions to the serials in order to address them, mostly by way of clarifying the requirements to avoid any potential ambiguity.

In the case of serials SH01, SH02 and SH03, the VASMG agreed that the current process, whereby Data Aggregators forward any D0235 and D0095 exception reports to ELEXON for analysis should be retained rather than attempt to insert the data into two or three PARMS submission files. This will help to keep the workload of Data Aggregators for these serials to a minimum.

### **Impact on Small Suppliers**

A concern was raised that small Suppliers may be unfairly penalised by poor Supplier Agent performance, even where the Supplier has no direct influence on the quality of data provided by a Party Agent. The VASMG believe that although this is a valid concern, it is a result of the general Supplier hub principle, in which each Supplier is responsible for data provided by its appointed Party Agents. In addition, the VASMG noted that, under P99, Suppliers would have the opportunity to query any data submitted by its Party Agents into PARMS. The VASMG further noted that no Supplier Charges are applied to the standards within serials reported by Agents. In the event of an errant Agent consistently failing to report as required, the normal escalation process could be invoked.

### **Accreditation**

There was concern that the proposed re-certification process could be too onerous in practice if a situation arises where, even for a low-risk change, ELEXON Technical Assurance decides that a site visit is needed. The VASMG believe that the proposals would serve to reduce the workload on participants and agreed to clarify the process to make clear that intervention by Technical Assurance would only occur in the case of suitably high-risk changes.

A further comment was raised regarding the proposals for Additional Certification. It was suggested that a change from Non Half Hourly Data Collector (NHHDC) to Half Hourly Data Collector (HHDC) roles by a participant would require a level of change in staff and systems that would make full Certification more appropriate. The VASMG considered this suggestion, but believed that the procedure proposed for Additional Certification, which in practice would involve re-Certification, would provide a sufficient level of assurance to industry without imposing the unnecessary administration costs that would be incurred if full Certification were followed.

### **Data Transfer Network**

The consultation asked participants if they were interested in using the Data Transfer Network (DTN) to submit data into PARMS rather than using email as in the present case. The overwhelming majority (around 80%) did not wish to make use of the DTN in this way, on the basis that the costs incurred in design and development would not be of any great benefit in the long term.

### **Other Issues**

One respondent suggested a preferable approach would have been to raise a separate Modification Proposal for each assurance technique, as under P99 all three have to be approved before any can be

implemented. The VASMG noted that the PAF Review's intention was to seek approval for a balanced package of assurance techniques rather than three unrelated proposals, and agreed that the techniques should be approved as a whole. However, the VASMG accepted that there may be merit in separating the implementation of the three techniques to provide greater flexibility to those implementing the proposals, and agreed to consider such an option when making its recommendations to the Panel.

Another respondent suggested that as the PARMs proposals are primarily concerned with the Supplier market, consideration should be given to allocating the various costs associated with them to Suppliers. The VASMG considered this view, and while the Code does allow costs to be allocated to users of a particular process (for example, receiving data on CD-ROMs prepared by ELEXON), it makes no provision for costs to be allocated to a specific market participant role. While this could be achieved via an Alternative Modification, the VASMG agreed not to progress this issue as the aim of P99 is to benefit all participants within the trading arrangements and so all should be liable for any costs incurred.

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

### **6.1 BSC**

This section describes the changes required to the Code in order to bring P99 into effect. The full legal text is contained in Appendix D.

#### **Section J 'Party Agents'**

This section would involve the following changes:

- a new requirement for Supplier Meter Registration Agents (SMRAs) to provide registration data to BSCCo for the purposes of market monitoring;
- in relation to the Accreditation and Certification process, changes to reflect that only in the case of a high risk applicant (as identified by the Risk Assessment performed by BSCCo) is the Certification Agent required to complete and submit to PAB the various self-assessment documentation.

#### **Section S 'Supplier Volume Allocation'**

Annex S-1 'Performance Levels and Supplier Charges' would be revised to reflect the new standards and serials, particularly the Supplier serials.

### **6.2 Code Subsidiary Documents**

The following Code Subsidiary Documents, including BSC Procedures (BSCPs), Party Service Lines (PSLs), SVAA Service Lines (SSLs) and the BSC SVA Data Catalogue would be impacted and any changes required would be developed by ELEXON after Authority approval of P99.

The documents below would require revision to reflect the specific to the three assurance techniques.

- BSCP512 – Entry Process – Supplier
- BSCP531 – Accreditation
- BSCP533 – PARMs Data Provision
- BSCP534 – PARMs Techniques

BSCP533 contains two large appendices: the PARMS File Formats and the Monitoring Implementation Requirements Tables (MIRT). Both will require extensive revision to align them with the Serials amended and introduced by P99.

The CDCA Interface Definition and Design (IDD) and User Requirements Specification (URS) will require amendment to reflect the data to be submitted into PARMS for the two CVA Meter Operator Agent (MOA) serials

The following documents all contain references to the set of PARMS Serials and Standards modified by P99 and so would require revision:

- BSCP536 – Supplier Liquidated Damages
- BSC SVA Data Catalogue (Part 1)
- PSL110 – SVA Meter Operation
- PSL120 – Non Half Hourly Data Collection
- PSL130 – Half Hourly Data Collection
- PSL140 – Non Half Hourly Data Aggregation
- PSL150 – Half Hourly Data Aggregation
- PSL160 – Supplier Meter Registration Service
- PSL170 – Meter Administrator
- PSL180 – CVA Meter Operation
- SSL300 – Supplier Volume Allocation
- SSL310 – Daily Profile Production
- SSL360 – Market Domain Data

## **7 IMPACT ON BSC SYSTEMS**

The Requirements Specification for P99 (Reference 3) explained that there are impacts on the SVA Agent (SVAA) and the Central Data Collection Agent (CDCA) as they would be required to send sets of data to BSCCo every month for the purposes of monitoring participants' performance against the PARMS serials.

The impact identified by the CDCA, by redirecting existing information to PARMS, amounts to a documentation-only change, with an estimated lead time of three weeks at a cost of £12,200. In the additional impact assessment, the CDCA were requested to assess the impact of providing the data in the Pool File Format to allow a direct feed into PARMS. The CDCA identified that this would cost an additional £7,500 plus a further week of effort, resulting in a total cost of £19,700 and a lead time of 4 weeks.

The SVAA would be required to produce reports for 6 new PARMS Serials, of which 3 represent consolidation or replacement of existing reports. The estimated cost of developing the Pool Application software to meet this requirement is £45,205, with a lead time of 4 months if developed in isolation from any other Modification-related changes due for next year. However, if development were required to be carried in parallel with Modification P81, currently with the Authority for decision (and which would require a 3-month PARMS development), the estimated lead time if the two were combined into

a single release would be 6 months. This would be beneficial in providing a single release of the Pool Application software rather than two separate releases, but would cause a delay in the implementation of P99.

The full details of the impact on BSC Systems are contained in Appendix B.

## **8 IMPACT ON CORE INDUSTRY DOCUMENTS**

A change will be required to the Master Registration Agreement (MRA) to align with the changes in Section J of the BSC relating to data provision by SMRAs.

## **9 IMPACT ON OTHER CONFIGURABLE ITEMS**

The CDCA Interface Definition and Design (IDD) and User Requirements Specification (URS) will require amendment to reflect the data to be submitted into PARMS for the two CVA Meter Operator Agent (MOA) serials.

The ELEXON Local Working Instructions for Accreditation and Entry Processes will require revision, as will the relevant Simple Market Guides published on the BSC web site.

## **10 IMPACT ON ELEXON**

The main impact of P99 on ELEXON will be in carrying out the necessary alterations to the internal BSCCo systems used in Entry Processes and PARMS. The Entry Process Agent scripts and software will need to be altered to reflect the new set of functional tests and the ability of the Entry Process Agent to simulate the role of other participants during testing. Meanwhile, PARMS will require a complete revision to reflect the set of serials proposed by P99 and their associated corrective techniques. ELEXON will also be required to develop and test the report formats to be used by participants when sending the data, so that it can be easily loaded into PARMS.

In relation to the Accreditation proposals, the increased role of the ELEXON Technical Assurance team will require an estimated two extra staff, which will involve recruitment costs as well as an ongoing cost in the form of salary.

The remainder of the impact on ELEXON relates to the administration of the necessary changes to Code Subsidiary Documents and Configurable Items, and the contractual negotiations with the Certification Agent and Entry Process Agent.

### **10.1 Accreditation**

The changes to BSCPs, Local Working Instructions and Market Guides would require approximately 3 months' of effort by ELEXON to draft and review, with the Certification Checklist and the Risk Assessment Process taking up the majority of the work. The revision of the Certification Agent contract would take 10-15 man-days of negotiation by the ELEXON commercial team and could be run in parallel with the other work for Accreditation. The extra Technical Assurance staff described in Section 9 would result in an ongoing cost of around £70k per annum (plus ELEXON recruitment costs) for two full-time assurance analysts. However, this would be mitigated by the significant reduction in costs incurred by the Certification Agent.

- total timescale: 4 months;
- total cost: £75,000 implementation, £70,000 per annum ongoing.

## 10.2 Entry Processes

The changes to the Entry Process Agent systems would involve approximately 90 man days of effort at £54,000 by the Entry Process Agent on start up, with an ongoing cost of £30,000 per annum based on the current market entry rate of approximately 10 applications a year. The documentation updates and contractual negotiation required by ELEXON is expected to require around 20 man days of effort, which at the standard rate would involve a cost of around £6,000.

- total timescale: 5.5 months;
- total cost: £60,000 implementation, £30,000 per annum ongoing.

By comparison, the current Entry Process Agent running costs amount to approximately £1.1m per year, meaning that P99 would represent an increase of around 3%. Furthermore, the simplified processes are expected to generate a cost saving of around £4,000 per applicant, which at the current rate of market entry would amount to an industry saving of £40,000 per year.

## 10.3 PARMS Serials and Standards

The work required on PARMS is the most significant aspect of P99. The current system is very complex and does not lend itself well to amendment on a scale required by P99, with the result that much of the functionality would have to be rewritten rather than revised.

The main reason for this is that the original system design focused on the requirement to receive data from three market participants: Suppliers, SMRAs and the SVAA, and the structure and capacity of the resulting database was built with this in mind. Receiving data from Supplier Agents and the CDCA in addition to those other participants will require a new database structure with a much larger capacity and so would require a substantial re-write of the system.

An additional complication is in the determination of completeness. As in the present system, Suppliers would be penalised for any late submission of performance reports. However, under P99 only a fraction of the data pertaining to Suppliers or Supplier hubs would actually be submitted by the Suppliers themselves – Supplier Agents would also be submitting data into PARMS. Therefore, under P99 the system would need to be able to accurately determine each Supplier's data completeness, and if necessary calculate an appropriate Supplier Charge.

ELEXON estimate that the necessary development and testing required to provide a suitable PARMS system would take up to nine months of effort, including the time taken to revise the various Code Subsidiary Documents listed in Section 6.2. The total cost of these changes is estimated at around £250,000, with the documentation updates making up approximately £45,000 of the total.

## 10.4 ELEXON Costs Summary Table

The table below summarises the costs expected to be incurred by ELEXON. Note that the PARMS software improvements may result in an external or internal cost, depending on whether the implementation method decided upon by ELEXON involves outsourcing the work to an external agency or carrying out the development ‘in house’:

Process	Internal Cost	External Cost	Total
Accreditation	£75,000	None	£75,000
Entry Process	£6,000	£54,000	£60,000
PARMS	£50,000	£200,000	£250,000
Total	£131,000	£254,000	£385,000

## 11 IMPACT ON PARTIES AND PARTY AGENTS

The impact of P99 on Parties and Party Agents was established based upon responses to the DLIA requests issued via MC00017 and MC0027 (Appendix C). The main impacts were in relation to the PARMS proposals, and the responses highlighted the need to alter Party and Party Agent system software to support the proposed set of serials. Furthermore, a response identified an impact in relation to the Accreditation improvements, as there would be a need to revise internal change management processes.

The average lead time provided by participants for the PARMS changes was 6 months minimum, starting from the point at which a clear set of technical requirements is presented or from the point of an Authority decision, whichever is later.

The cost estimates for these changes ranged from £2k to £300k, representing the large difference in work required by the various market roles. The impact on Suppliers and SMRAs in isolation is relatively small, around £2k to £15k depending on the size of the participant and the number of associated Metering Systems. The larger figure represents the estimated costs of a Supplier Agent currently operating as a Meter Operator, Data Collector and Data Aggregator in both the half hourly and non half hourly markets.

While each Supplier may incur an operational cost from each of its Supplier Agents, the initial start-up costs for a particular agent could be shared across Suppliers according to the number of agent appointments for each. This could help to reduce costs incurred by each Supplier, however any such arrangements would be a matter for participants and cannot be assumed by the VASMG. Therefore, based on the figures provided by participants in the impact assessments, the total cost on a Supplier with a large number of Supplier Agent appointments would be in the order of £100k.

## 12 IMPACT ON TRANSMISSION COMPANY

There is no impact on the Transmission Company caused by P99 and therefore no impact assessment has been requested.

## 13 COSTS-BENEFITS ANALYSIS OF THE MODIFICATION PROPOSAL

The PAF Review had earlier identified the following benefits of the proposed changes, which were presented to and agreed by the Panel. The table below aims to highlight the complementary nature of the PAF Review, where for example, costs incurred by participants due to PARMS changes would be offset by simplifications to Entry Process and Accreditation.

Benefits to Parties	Accreditation	Entry Process	Serials and Standards
Lower barriers to entry	Simplified, easier to use Accreditation scripts	More Assistance from the Central Agent (the Entry Process Agent)	Data acquisition burden less for the Supplier
Easier to use process for smaller parties	Simpler and cheaper process for low risk participants	Derogation is possible and more help is provided centrally	Data acquisition clarity and focus. Easier to use and creates a less daunting process
More focused processes	The Accreditation and Entry Process scripts will be focused on different areas to ensure that the market is adequately protected but that the tests are simplified.		Superfluous data requirements removed, results orientated approach adopted
Current issues addressed*	The changes to the scripts during Entry Processes and the new Accreditation Checklist reflect and would address current data issues. The revised Re-certification process would highlight risks to the market in these areas and ensure that adequate re-testing is performed.		Additions include: Change of Agent flows; CVA MOA issues; exception reporting; and quality of Supplier flows
Reduced ongoing cost and effort for participants	Yes	Yes	Yes

\*current market issues to be addressed by P99 include:

- Change of Agent activities;
- Present ambiguities over Agent re-certification;
- Central Volume Allocation (CVA) Proving Test issues;
- NHH Default EACs;
- Lack of consistent handling of exception reports received;



- Weak Supplier hub management; and
- Quality of information flow between Agents.

While the VASMG accepted these benefits in principle, they decided to reassess them in light of the information from the impact assessments, particularly in respect of the PARMS changes and carry out a rough costs-benefits analysis.

The VASMG estimated that the total industry costs arising from the PARMS aspect of P99 (i.e. those directly incurred by participants upon implementation) would amount to £1m - £3m, with the vast majority of the costs taken up by Suppliers and Supplier Agents. When considered against the current number of SVA Metering Systems (HH and NHH) of around 26m, this figure amounts to a cost of 12 pence per Metering System.

However, if the two measurement classes were considered separately, a significant differential in cost per Metering System arises because of the relatively small number of HH Metering Systems (around 80,000 of the total). If the assumption is made that the £3m industry cost is split by £2m for non half hourly meters and £1m for half hourly meters, then the result would be a cost per metering system of around 8 pence for non half hourly and £12 for half hourly. While the latter figure represents a significant amount for customers, the VASMG noted that the large amounts of energy associated with half hourly Metering Systems justifies the need for the measurement class to be included within the scope of P99 if the aims of the PAF Review are to be achieved.

With regard to the central costs of implementation, the total cost of around £450k for all the aspects of P99, distributed around the all registered Trading Parties (making no allowance for proportion of metered volumes) would amount to a few thousand pounds for each Party.

In mitigation of these costs, the VASMG agreed that the changes for P99, particularly PARMS, would serve to protect the integrity of settlement in the long term and so would be a good investment for the industry as a whole. It was noted that many of the market issues that P99 aims to address are currently undergoing time-consuming and expensive investigation by ELEXON with the help of participants and some of this significant cost and effort could be saved as the improved PARMS system would provide a cheaper and more effective method of highlighting issues to PAB. In the case of recurring market issues, improving the issue identification and resolution process would go a long way to help avoiding the qualification of the BSC Audit. The VASMG estimated that the benefit to industry could amount to a saving of £2m - £5m per year, including the value of avoiding Audit qualification, on the assumption that the improvements delivered by P99 prove to be useful for at least 2 years.

## **14 IMPLEMENTATION STRATEGY**

The information in the previous sections outlines the implementation timescales required for each aspect of P99, and results in 9-month overall implementation period. As the work for Entry Process and Accreditation is largely internal to ELEXON, there would be little interaction with participants during implementation other than in the standard Code Subsidiary Document review process. However, the PARMS changes will involve many different participants to a great extent and therefore the VASMG propose the following as part of implementation:

- Publication of finalised serials set and related documentation (including the MIRT) by at least 6 months prior to implementation;

- Participant workshops involving Suppliers, Supplier Agents and SMRSs held at intervals during the implementation period;
- A grace period of 2 months following implementation in which the penalties for late (but not altogether missing) PARMS submissions would be waived.

## **15 SUMMARY OF REPRESENTATIONS**

A consultation on P99 was held between 17 October 2002 and 31 October 2002. Note that this consultation preceded the additional impact assessment, in which more detailed participant costs became available.

In total 12 responses (39 Parties, one Party Agent) were received. The full details of the consultation responses are contained in Appendix A of this Assessment Report, but a summary is given below.

The following questions were asked during the consultation:

- Q1 Do you believe that P99 would better facilitate Applicable BSC Objectives (c) and (d)? If No, please give reasons for your response.
- Q2 Would your organisation be interested in using the Data Transfer Network (DTN) for PARMS data submission, rather than using the current email method?
- Q3 Do you agree with the proposed implementation strategy in relation to the PARMS improvements, with pre- and post-implementation workshops held by BSCCo (with timescales subject to participant lead times)?
- Q4 Do you believe that there are any alternative solutions that the Modification Group should consider?
- Q5 Does P99 raise any issues that you believe have not been identified so far and that should be progressed as part of this Assessment Procedure?
- Q6 Do you have any further comments on P99 that you wish to make?

### P99 Consultation Responses

Party/Party Agent Name	Parties/Party Agents	Q1	Q2	Q3	Q4	Q5	Q6
British Gas Trading	1	Yes	No	Yes/No	No	No	No
Western Power Distribution	2	Yes	No	Yes/No	No	No	No
Aquila Networks	1	No	No	Yes	N/C	No	Yes
Scottish and Southern	4	No	No	Yes	Yes	Yes	Yes
NGC	1	Yes	N/C	Yes	No	No	No
Scottish Power	5	Yes*	No	Yes	No	Yes	Yes
Npower	9	No	No	Yes*	Yes	Yes	Yes
British Energy	3	Yes/No	No	N/C	N/C	N/C	Yes
LE Group	8	Yes	No	Yes	No	No	No
IMServ	1	Yes	Yes	Yes	No	Yes	No
SEEBOARD	1	Yes	No	Yes	No	No	Yes
Powergen	4	N/C	No	Yes/No	No	No	Yes

Majority Response	Yes	No	Yes	No	No	Yes
<b>Respondents</b>	58%	83%	67%	67%	58%	58%
<b>Parties/Party Agents</b>	48%	95%	73%	60%	45%	68%

\* denotes acceptance with caveats

The results of this analysis yielded the following issues, all of which were discussed by the VASMG.

The majority of respondents (58%) believed that P99 would better facilitate the Applicable BSC Objectives. However, 3 respondents (18 Parties) did not wish to support P99 because of the uncertainty on costs, and 3 respondents, (8 Parties) either did not comment or stated they were unsure at this stage

- An overwhelming majority (83%) did not support the use of the DTN to submit data into PARMS;
- There was support for the proposed pre- and post-implementation workshops (67% of responses). There were no outright objections, however some respondents were unsure or decided to provide no comment;
- Many respondents raised specific points about certain serials, ranging from minor amendments to clear objections;
- A suggestion was raised regarding allocation of BSC costs to Suppliers rather than all market participants;
- A number of respondents raised other issues that were felt to be relevant for discussion as part of the Assessment Procedure.

The considerations of the VASMG in response to the issues raised are detailed in Section 5.1.

## **APPENDIX A – P99 CONSULTATION RESPONSES**

Attached as separate document.

## **APPENDIX B – P99 BSC AGENT IMPACT ASSESSMENTS**

Attached as a separate document.

## **APPENDIX C – P99 PARTY AND PARTY AGENT IMPACT ASSESSMENTS**

Attached as a separate document. Note that this contains the responses to both the initial and additional impact assessments requested by the VASMG.

## **APPENDIX D – P99 LEGAL TEXT**

Attached as a separate document.