

Update on Modifications P274 and P275

Meeting Name	BSC Panel
Meeting Date	10 November 2011
Purpose of paper	For Decision
Summary	This paper provides an interim update on Modifications P274 and P275 as requested by the Panel at its meeting in October 2011. It identifies how the Panel may proceed based on its consideration of the update.

1. Background

- 1.1 Modifications P274, 'Cessation of Compensatory Adjustments', and P275, 'Extending BSC Performance Assurance', were both raised on 29 September 2011 by Electricity North West Limited.
- P274 proposes to amend the BSC so that 'crystallised' errors cannot be compensated for in subsequent Settlement calculations, with the consequence that Suppliers would no longer be able to use Gross Volume Correction (GVC).
 - P275 seeks to broaden the responsibilities and scope of Performance Assurance under the BSC to include all BSC Parties and extend Performance Assurance so it considers Settlement data risks that may cause issues for BSC Parties that use the data for purposes other than determination and settlement of Trading Charges.
- 1.2 The Panel considered the P274 and P275 Initial Written Assessments (IWAs) at its meeting on 13 October 2011. The Panel acknowledged that both P274 and P275 had identified a possible defect in the Code, and agreed that both progress to the Assessment Procedure. Assessment Reports for each are due to be submitted to the Panel on 8 March 2012.

2. Purpose of the update

- 2.1 When discussing the IWAs, the Panel had concerns for both P274 and P275 around the extent to which the defect sits within the BSC; and consequential questions on how any work outside the BSC might impact the Modifications progression. The Panel also queried whether the timetables presented in the IWAs were long enough to complete the necessary work due to the potential complexity of the issues.
- 2.2 Due to the potential effort in progressing the Modification the Panel also believed it was prudent to ask the P274/P275 Workgroup whether Authority input (above and beyond Workgroup attendance) should be sought so that no unnecessary work would be undertaken.

- 2.3 The Panel therefore asked ELEXON to deliver an update at the November Panel meeting, detailing the initial views and discussions of the P274 and P275 Workgroups in these areas.

3. Workgroup Progress

- 3.1 The P274 and P275 Workgroups held their first meeting on 2 November 2011. The group has considered for each Modification the identified defect, the solution, the analysis required to support the Workgroup's assessment and the additional areas of the Terms of Reference as requested by the Panel.
- 3.2 Progress on the Modifications can be summarised as:
- P274 – The required analysis identified by the Group could potentially take longer than anticipated; since industry data will need to be collected and analysed before we can complete an impact assessment. As a consequence the P274 timetable will need to be amended.
 - P275 – Initial discussions seem to have clarified the issue to such an extent that the solution is now potentially a small text only change to add clarity into the BSC. As such there is potential that P274 may be presented to the Panel ahead of schedule.
- 3.3 The Group has noted that there are matters which may be considered outside the scope of the BSC relating to the use of settlement data derived under the BSC. The Group has also acknowledged the consultation issued by Ofgem on 24 October 2011 seeking views on a final methodology to rectify 2009-10 reported losses for Distribution Network Operators and proposed changes to the losses rolling retention mechanism and determination of losses targets for the current price control.
- 3.4 A representative from Ofgem attended the P274/P275 meeting and is fully engaged in the progression of these Modifications. The Panel may also take the opportunity to seek any views from the Authority in relation to P274 or P275 to inform the progression of either Modification under the BSC change process.
- 3.5 An overview of the wider issues relating to P274 (including the Group's comments on these) will be captured as part of the Assessment Report.

4. Recommendations

- 4.1 We invite the Panel to:

For Modification **P274**:

- a) **NOTE** ELEXON's update on P274;
- b) **AGREE** any comments on P274 for the consideration of the Workgroup;
- c) **DETERMINE** whether any amendment of the P274 progression timetable is required; and

d) **DETERMINE** whether to seek views from the Authority in relation to P274.

For Modification **P275**:

e) **NOTE** ELEXON's update on P275.

For more information, please contact:

Melinda Anderson, Change Analyst

melinda.anderson@elexon.co.uk

020 7380 4019