ELEXON

Attachment 5a- P227 First Assessment Consultation Responses

Consultation Issued on 14 November 2008

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	APX Commodities Ltd.	**P227_AR_01**	**2**	**0**
2.	RWE Supply and Trading	**P227_AR_02**	**10**	**0**
3.	SAIC Ltd. (for and on behalf of ScottishPower)	**P227_AR_03**	**7**	**0**
4.	Centrica	**P227_AR_04**	**10**	**0**
5.	British Energy	**P227_AR_05**	**5**	**0**
6.	E.ON UK plc	**P227_AR_06**	**7**	**0**

Question 1: Do you believe Proposed Modification P227would better facilitate the achievement of the Applicable BSC Objectives?

Please give rationale and state objective(s)

Summary

Yes	No	Neutral/Other
5	-	1

Responses

Respondent	Response	Rationale
APX Commodities Ltd.	Yes	We agree with the modification group's assessment of the proposal against the BSC objectives.
RWE Supply and Trading		It is appropriate that the definition of ECVN failure includes the centrally-provided communication systems since there is no prospect of competition at this time. Competition could be introduced through a further modification proposal.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	ScottishPower agree with the Modification Groups views of the Proposed against the following Applicable Objectives: **Objective a)** No impact

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Respondent	Response	Rationale
		Objective b) There would appear to be a very slight overall benefit. We agree that this Modification will lead to Parties being able to manage their imbalance better in the wake of a Notification System Incident, in turn leading to a marginal reduction in central balancing costs. **Objective c)** This is where we feel the majority of the benefits may be felt. We agree with the supposition that allowing Parties to cover any imbalance occurring during a Notification System Incident (e.g. plant trip) will reduce individual balancing costs and lead to a reduction in customer bills over the long term. The operational costs of extending the current process to cover these occurrences also appears to be minimal, further reinforcing the cost benefit. Overall, we feel there is a benefit under this Objective. **Objective d)** There would appear to be a relatively small overall increase in the central costs to provide the low grade monitoring and the manual costs of arbitrating the requests and manually entering the resubmissions. There would therefore be a minor dis-benefit under this Objective. On balance, we feel that the benefits outweigh the costs and that the Modification better facilitates the BSC Objectives.
Centrica	Yes	P227 would better facilitate objective (c) and this would significantly outweigh a small detrimental impact on objective (d). The analysis undertaken by the Group highlights the potential cost implications for Parties of not being able to submit contract notifications. P227 addresses situations which could occur where Parties cannot submit contract notifications through no fault of their own. The potential costs have been highlighted by the Group and whilst these might occur infrequently they still represent an imbalance risk for Parties. P227 better aligns Party risk with the elements they control resulting in arrangements that are fairer and as such will provide increased market confidence. This promotes competition amongst existing Parties and is more likely to facilitate entry than the baseline. There would be likely to be a small detrimental impact on the administration of the arrangements for Elexon (and its agents) in order to identify, investigate and process communication failures. Centrica notes that Ofgem might retain the view from P1 that competition might be detrimentally impacted. Centrica supports the unanimous conclusion of the Modification Group that this would not be an outcome of P227. Additionally, we note that were Ofgem to retain this view they should provide evidence that such detriment is in excess of the benefits identified by the Group.
British Energy	Yes	Current arrangements expose parties to costs individually which they

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Respondent	Response	Rationale
		cannot reasonably manage. The impact on individual parties of communications network failure can easily be mitigated by allowing notification within a reasonable time after gate closure of volumes contracted before gate closure. This would promote competition (BSC objective (c)). The risk that parties may somehow take advantage of such a facility to overcome their own internal notification problems, or to notify volumes contracted after gate closure, potentially to the disadvantage of other parties, is probably small, but some monitoring should be undertaken to minimise this risk. The implementation and operation costs would be small, so the additional costs affecting BSC objective (d) (process efficiency) should be outweighed by the benefits under objective (c).
E.ON UK plc	Yes	Enabling resubmission of notifications should reduce potential exposure to imbalance charges, removing a disincentive to contract forward and consequent likelihood of more balancing actions required by the SO. Thus supporting BSC objective b) and potentially c).

Question 2: Please detail any impacts on your systems and processes and associated costs for you to implement P227

Summary

Yes	No	Neutral/Other
-	-	-

Responses

Respondent	Rationale
APX Commodities Ltd.	No implementation costs.
RWE Supply and Trading	We do not believe that there would be any impact on our systems.
SAIC Ltd. (for and on behalf of ScottishPower)	There would appear to be no internal system impact with this change, and our processes are already in place to deal with an ECVAA failure – extending our internal processes and documentation to cover the communications failure will be the only impact. Costs will be minimal
Centrica	P227 would not impact any of Centrica's systems and would incur no cost.
British Energy	Impact would be minor changes to work instructions and procedures.
E.ON UK plc	There should be no significant impact if the resubmission process does not differ

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Respondent	Rationale
	from that currently applicable if there is an ECVAA system failure.

Question 3: Do you agree with the definition of the boundary for responsibility of a Communications failure for communications on the High Grade Service?

Summary

Yes	No	Neutral/Other
6	-	-

Responses

Respondent	Response	Rationale
APX Commodities Ltd.	Yes	The definition accurately reflects the boundary of responsibility between notification agent systems and the centrally procured communication systems.
RWE Supply and Trading	Yes	This seems appropriate.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	We agree with the boundary definition. Parties should be indemnified against a failure of any centrally provided hardware, be it the communications lines or the supplied router, and not just the central systems themselves.
Centrica	Yes	It seems sensible that the boundary for the high grade service includes the elements in which the central services provider has control.
British Energy	Yes	Including the centrally provided router(s) at the user site as part of the central communications network for which failure is included seems a sensible approach.
E.ON UK plc	Yes	We understand the boundary is not changing.

Question 4: Do you agree with the definition of the boundary for responsibility of a Communications failure for communications on the Low Grade Service?

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Summary

Yes	No	Neutral/Other
5	1	-

Responses

Respondent	Response	Rationale
APX Commodities Ltd.	Yes	The wider internet is beyond the control of notification agents, and the ECVAA, and it is therefore appropriate to draw the boundary as defined in the assessment consultation.
RWE Supply and Trading	Yes	This seems appropriate.
SAIC Ltd. (for and on behalf of ScottishPower)		We agree with the boundary definition. Parties should be indemnified against a failure of any centrally provided service. It is most likely that Parties will already have commercial terms agreed with their Internet Service Provider to cover an interruption to their own internet connection, and there is very little anyone could do to secure against a failure of the wider internet. A failure of the centrally provided internet connection to the low-grade systems should not therefore increase Party risk.
Centrica	Yes	It seems sensible that the boundary for the low grade service includes the elements in which the central services provider has control.
British Energy	Yes	Including the ECVAA Internet Service Provider 'portal' to the internet as part of the central communications network for which failure is included seems a sensible approach. Although difficult to measure with certainty, and to set thresholds for deemed failure, it would also seem sensible to include major widespread internet disruption
E.ON UK plc	Yes	We understand the boundary is not changing.

Question 5: Do you agree that the resubmission process should mirror that process used for ECVVA System failures? Do you agree that Parties should have 1WD to notify ELEXON if they believe there is a Communications Failure?

Summary

Yes	No	Neutral/Other
6	-	1

Responses

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Respondent	Response	Rationale
APX Commodities Ltd.	Yes Yes	The instances of failure of the communications network to date has been low, therefore the low cost manual approach to resubmission should be retained.
RWE Supply and Trading	Yes Yes	The proposed approach is consistent with the current procedure for ECVN failure, but recognises that parties may not become aware until some time after a failure has occurred.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes Yes	The current system has been proven to work. The actual usage of this process is anticipated to be very infrequent (based on the number of past reported incidents), and as such a low cost solution is most appropriate. The only minor concern would be if there were a spate of single Party incidents occurring close together, ELEXON and Logica's ability to respond in a timely manner may be threatened. However, we acknowledge that the chances of this happening are very small (except perhaps during the transition to the new service). We agree that Parties should have 1 working day from the point of identifying a problem to notify ELEXON. If there is a total loss of service it should become apparent very quickly and notification can follow within the timescale. When a fault results in a degradation of service, ELEXON should be notified within 1WD of the point at which the fault was identified (not the point at which it occurred).
Centrica	Yes Yes	-
British Energy	Yes	This seems a practical approach.
	Yes/no	We would prefer the end of the next business day, as in the proposed legal text, rather than simply 1WD.
E.ON UK plc	Yes	There is no need to change the resubmission process. Utilising the existing procedure for ECVAA failures would be adequate.
	Yes	But it must be made clear what defines a communications failure. Would an external power failure to a router constitute a Notification System Incident aka Notification/Communications failure? Does failure of a single comms link constitute a Notification System Incident or does failure have to be across the board? How should a failure be identified and communicated? This is particularly critical given Logica's statement that router failure is difficult to define. What evidence would be required from Parties to prove that a failure had occurred, and how this should be registered with ELEXON? It would be useful for guidelines to be issued confirming what does/does not constitute a Notification System Incident and what BSC Parties' responsibilities are. If there is a disagreement between a Party and ELEXON there should also be an

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Respondent	Response	Rationale
		option to appeal to the TDC.

Question 6: Do you agree with the observations of the Group regarding the potential impacts of a communication failure ?
Have you been materially impacted as a result of the inability to submit notifications due to a communication failure (any associated volumes or resultant charges should be provided and can be marked as confidential)?
Summary

Yes	No	Neutral/Other
3	-	3

Responses

Respondent	Response	Rationale
APX Commodities Ltd.	Yes	The impact of a communications failure could easily have a substantial material impact on BSC Parties. The costs estimates within the report highlight the charges that could be levied on parties, and there is no rationale for imposing these charges on parties, as the communications failure is beyond their control and a failure to notify imposes no real costs.
RWE Supply and Trading	Yes No	
SAIC Ltd. (for and on behalf of ScottishPower)	Yes No	For larger Parties, with redundant communication lines and backup facilities, a communications failure will be more manageable than for smaller Parties who do not have the resources to maintain these backup systems. However, for all Parties, the inability to fine-tune their imbalances, or react to major events will leave them equally exposed, ultimately feeding into consumer bills n/a
Centrica	Yes No	A communications failure could result in unreasonable financial impacts on Parties.
British Energy	Yes	Materiality depends on the performance of plant and the behaviour of customers during the particular period for which notifications cannot be submitted and trading is effectively restricted.

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Respondent	Response	Rationale
	Yes	Communications failure in September 2008 had a consequential effect on British Energy.
E.ON UK plc	Yes Yes	- We have experienced failures both of a single comms link and across the board, for example by a failure in 2003 to bring all routers back from planned outage.

Question 7: The Group concluded that the current arrangements for provision of communications into ECVAA are the most economically efficient from an industry perspective and that any perceived defect with these arrangements should be addressed as a separate change? Therefore they conclude there is no requirement for a sunset clause. Do you agree?

Summary

Yes	No	Neutral/Other
6	-	-

Responses

Respondent	Response	Rationale
APX Commodities Ltd.	Yes	There is competition in the provision of communications; it has recently been procured via a competitive tender. The most efficient solution for a communications network of the form required for the central systems, is likely to be provided by a single provider. Having multiple networks is likely to lead to unnecessary duplication and increased costs.
RWE Supply and Trading	Yes	If appropriate competition could be introduced through a further modification proposal.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	We completely agree with the group's assessment. During the recent Isis re-procurement exercise, no respondent questioned the principle of a centrally procured communications network. The competitive tendering process will have ensured that the market gets value for money from that exercise. We do not believe that the introduction of competition into what is effectively the provision of the communications line from a telecoms provider (the technologies and IT-related delivery mechanisms would have to remain centrally prescribed to ensure interoperability) will bring any benefits, and indeed, will bring many disadvantages. Under the new 'Isis' arrangements, Parties have a menu of service options (and costs) to chose from, effectively allowing the benefits envisaged by Ofgem in their response to P1 – the ability to assess individual risk levels, and buy a service to meet that risk. Parties remain incentivised under this

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Respondent	Response	Rationale
		Modification to maintain robust systems and ensure they are submitting notifications using all means necessary, as they will not be certain that a Notification System Incident will be declared until after the fact. In our assessment, telecoms competition in this area would prove to be a significant disadvantage to most Parties (except perhaps the major players – where it may just be a disadvantage). Individual Parties would be faced with a costly and lengthy procurement exercise, and may be forced to accept a higher cost than under the current arrangements because of their reduced buying power. If there was a major change to the way these services could be provided in the future, a Party or the Panel could bring forward another Modification to introduce competition. We therefore agree that there is no need for a sunset clause in this Modification.
Centrica	Yes	A sunset clause is not required for the reasons outlined by the Group.
British Energy	Yes	In theory, different communications providers could be used in competition with each other, with participants choosing their individual levels of reliability taking into consideration individual risks and costs. However, in reality we suspect that the administrative benefits of a central procurement outweigh the potential benefits of more comprehensive competition in this area. A further modification could be raised if considered necessary or desirable.
E.ON UK plc	Yes	E.ON UK agrees with the Group logic regarding the economic efficiency of current communications provision and that a sunset clause is not necessary for P227. There would seem no potential benefit to a sunset clause other than getting an Authority decision. It is hard to envisage what change in circumstance between now and the end of the current Logica contract would make an end date sensible – or what provisions should be put in after. The question of communication provision competition should not sidetrack this mod. Parties are always free to raise modifications should they desire to address such separate issues.

Question 8: Do you agree that the P227 solution should not seek to address any operational matters relating to the inability to submit notifications as a result of planned outages (as the defect is specific to the 'communications failure' issue)?Please give rationale

Summary

Yes	No	Neutral/Other
5	1	-

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Respondent	Response	Rationale
APX Commodities Ltd.	Yes	The operational matters are not related to the defect identified in the modification proposal.
RWE Supply and Trading	Yes	-
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	The solution required to fully ensure that resubmission during a system outage is managed correctly may be different from the one detailed in the Proposed Modification. The intention of the modification is quite clear in what defect it is attempting to fix, and the solution it provides. Although it is be prudent to bundle similar changes together, we feel that combining these two defects may have the effect of jeopardising the Modification.
Centrica	Yes	The solution as described can be shown to better facilitate the BSC objectives on its own. Any desired change to submitting notifications during planned outages could be addressed via a separate modification or change proposal (as required) were a Party to identify a defect.
British Energy		We think it would be sensible to introduce similar measures for planned outages. However, we acknowledge that this may be outside the scope of this particular proposal, and that more measures may be needed to ensure volumes notified post-gate closure are valid.
E.ON UK plc	Yes	-

Question 9: Do you agree that the legal text provided delivers the Proposed solution?

Summary

Yes	No	Neutral/Other
4	-	2

Responses

Respondent	Response	Rationale
APX Commodities Ltd.	n/a	(Still under review.)
RWE Supply and Trading	Yes	-
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	The legal text provided will support and implement the Modification.
Centrica	Yes	-
British Energy		Not examined in detail.

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Respondent	Response	Rationale
E.ON UK plc	Yes	Though it could be considered whether the ECVAA system needs to be redefined.

Question 10: Do you agree with the Implementation Approach and Dates?

Summary

Yes	No	Neutral/Other
5	1	-

Responses

Respondent	Response	Rationale
APX Commodities Ltd.	Yes	Implementation of the modification appears to be relatively straightforward and quite self contained. There is no reason to delay implementation simply to align with a wider system release.
RWE Supply and Trading	Yes	
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	Although, in principle we do not agree with releases being made outwith the normal release process, we are aware that there is likely to be no Party or central system changes resulting from this Modification. With this in mind, it seems sensible to implement this Modification as close to the Isis cutover as possible – cutover being the most likely point of a communications fault occurring.
Centrica	No	Centrica does not agree with open ended implementation dates as they add uncertainty and unnecessary risk to the modification process.
British Energy	Yes	Yes. No system impact, no significant process change, so short notice acceptable in this case
E.ON UK plc	Yes	Five working days after Authority decision is workable.

Question 11: Do you believe there are any Alternative solutions that the Group could consider?

Summary

Yes	No	Neutral/Other
1	5	-

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Responses

Respondent	Response	Rationale
APX Commodities Ltd.	Yes	Given Ofgem's rationale for rejecting P1 it may be prudent and efficient to propose an alternate modification with a sunset clause in line with principle suggested by Ofgem in their P1 decision letter. This will avoid a party having to raise a further modification if P227 is rejected for similar reasons.
RWE Supply and Trading	No	
SAIC Ltd. (for and on behalf of ScottishPower)	No	
Centrica	no	
British Energy	No	As mentioned above, we think it would be sensible to introduce similar measures for planned outages.
E.ON UK plc	No	-

Question 12: Are there any further comments on P227 that you wish to make?

Summary

Yes	No	Neutral/Other
3	3	-

Responses

Respondent	Response	Rationale
APX Commodities Ltd.	Yes	We fully accept the principle that notification agents should be responsible for risks under their control, and this agrees with the Ofgem's stance in their P1 decision letter. However, the failure of the central communications network is beyond agents' control, hence it is not appropriate that parties should carry this risk. Indiscriminately targeting costs on parties simply to re-distribute funds around other members of the industry does not foster confidence in the BSC Processes or encourage participation in the UK electricity industry. The group has articulated why a sunset clause is not appropriate and we agree with their assessment. The most efficient approach to an industry wide network is through a competitive central procurement. Requiring parties to source their own network will impose significant additional costs on the industry, which are likely to be borne disproportionately by smaller players.

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Respondent	Response	Rationale
RWE Supply and Trading	No	
SAIC Ltd. (for and on behalf of ScottishPower)	No	
Centrica	no	
British Energy	Yes	As mentioned above, we think it would be sensible to introduce similar measures for planned outages.
E.ON UK plc	Yes	Provided a Notification System Incident and the proof required to identify such is clearly defined, this is a minor change with no impact on market principles that E.ON UK supports. Implementation should not be delayed by investigations into the 'sunset clause' debate on potential for further competition in provision of communication service: that is not required to the solve the issue addressed by P227.

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