

Draft MODIFICATION REPORT for Modification Proposal P228

'Replace BMRS High Grade Service charge amounts/rates with references to a BSC Website schedule'

Date of Issue: 5 December 2008 **Document Reference:** P228RR
Reason for Issue: For Panel decision **Version Number:** 0.3

OVERVIEW AND RECOMMENDATIONS

P228 seeks to:

- 1) Remove the amounts/rates for the Dataline Monthly Charge, TIBCO Set-up Charge and TIBCO Software Support Charge from Annex D-3 of the Balancing and Settlement Code; and
- 2) Replace these with simple Code references to a schedule of amounts/rates which ELEXON will be required to publish on the BSC Website.

The schedule will set out the amounts/rates approved by the Panel from time to time.

The BSC Panel recommends:

- that Proposed Modification P228 should be made;
- an Implementation Date of 1 April 2009 if an Authority decision is received on or before 31 March 2009, or 1 Working Day after an Authority decision if the decision is received after 31 March 2009; and
- the proposed text for modifying the Code, as contained in Appendix 1.

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1 SUMMARY

Why has P228 been raised?

The Panel has raised P228 as a **'housekeeping' Modification Proposal** on ELEXON's recommendation.

Following the Panel's recent decision to amend the amounts/rates levied for the Dataline Monthly Charge, TIBCO Set-up Charge and TIBCO Software Support Charge (see Panel papers [144/10](#) and [146/06](#)), the 'initial' amounts/rates contained in the Code for these charges will be out of date from 1 April 2009.

P228 seeks to resolve this, and cater for any potential further revisions in the future, by removing the amounts/rates from the Code and replacing them with references to a charging schedule which ELEXON will be required to publish on the BSC Website. The schedule will always contain the latest amounts/rates approved by the Panel.

Why will P228 be an improvement over the current arrangements?

The Panel believes that P228 will:

- Reduce any potential uncertainty over the exact amounts/rates in force at a given time;
 - Promote transparency and efficiency; and
 - Thereby better facilitate the achievement of **Applicable BSC Objective (d)** 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements'.
-

What are the costs and impacts?

The implementation costs of P228 are **2 man days** of ELEXON effort (equating to £440) to update the Code/Local Working Instructions and publish the first version of the schedule. Ongoing maintenance of the schedule will involve **2.5 man days** (£550) of ELEXON effort per year.

Appendix 1 contains the proposed legal text, which shows the actual changes to the wording of the Code. P228 has no impact on any other industry documents or on any systems.

Participants are not required to take any action as a result of P228, since the schedule will simply contain the amounts/rates which have already been approved by the Panel.

When will P228 be implemented?

The Panel proposes that P228 should be implemented on **1 April 2009** if it is approved on or before 31 March 2009. 1 April 2009 is when the Panel's recent revisions to the charge amounts/rates will become effective. The old amounts/rates shown in the Code will continue to be correct until 31 March 2009.

If P228 is approved after 31 March 2009, the Panel proposes that it should be implemented **1 Working Day** from the date of Ofgem's decision letter.

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2 ISSUE OR DEFECT IDENTIFIED BY P228

At its meeting on 9 October 2008, the Panel agreed with ELEXON's recommendation to revise the amounts/rates levied for the Dataline Monthly Charge, TIBCO Set-up Charge and TIBCO Software Support Charge (see Panel papers [144/10](#) and [146/06](#)). These three charges relate to the provision of the BMRS¹ High Grade Service.

The new amounts/rates agreed by the Panel will become effective on 1 April 2009.

Although Annex D-3 of the Code contains 'initial' amounts/rates for the charges, it allows the Panel to revise these without needing to change the Code itself.² The Code therefore continues to contain the old amounts, which will be out of date from 1 April 2009.

Annex D-3 highlights to participants the possibility that the amounts/rates it contains may be amended at any time. However, this does not help participants determine whether they have actually been revised. This could be confusing (especially for new entrants).

3 P228 SOLUTION

To reduce any potential confusion over the amounts/rates in force at a given time, P228 seeks to:

- 1) **Remove** the amounts/rates (and the specific words relating to these amounts/rates) from the Code for the Dataline Monthly Charge, TIBCO Set-up Charge and TIBCO Software Support Charge; and
- 2) **Replace** these with simple Code references to a schedule which ELEXON will be required to publish on the BSC Website.

The schedule will set out the amounts/rates for these charges as determined by the Panel from time to time.

A copy of the proposed website schedule can be found in Appendix 1. This is provided for information, as the Code will not specify the exact format of the schedule.³

Any revisions to the amounts/rates will (as now) require Panel agreement and notification to the industry. The only change introduced by P228 is that the amounts/rates will be published in a schedule that will be referenced in the Code.

4 IMPACTS AND COSTS

Implementation of P228 will require ELEXON to:

- Update the Code in line with the P228 legal text;
- Publish the new charging schedule on the BSC Website;⁴
- Notify the industry of the new schedule (via Newscast); and
- Update Local Working Instructions to detail the process for maintaining the schedule.

These one-off activities will involve 2 man days of ELEXON effort (equating to £440).

¹ Balancing Mechanism Reporting Service (BMRS).

² See Annex D-3, Section 1.2.

³ Note that the schedule has been updated since the Report Phase consultation was issued to reflect a minor change in TIBCO's client licence price from £1,514 to £1,515. This change does not require further industry consultation or Panel approval, as the Panel has previously determined that the TIBCO Set-up Charge shall be the TIBCO licence price at the time of purchase, less 10%.

⁴ ELEXON intends to publish the schedule as part of the 'Recommended Reading' tables on the [Entering the Market](#) and [High Grade Service/Low Grade Service Communications Lines](#) pages in the [Market Entry/Exit](#) section of the BSC Website. These already contain an overview of the Section D charges and a spreadsheet enabling participants to calculate the financial impact of the charges on their organisation.

Post-implementation, ELEXON will also be required to update the schedule:

- On an annual basis to reflect the indexation on that year's support element of the Dataline Monthly Charge;⁵ and
- On an ad-hoc basis if TIBCO makes any future changes to its licence prices.

These operational activities will involve no more than 2.5 man days (£550) of ELEXON effort per year.

P228 has no impact on any other industry documents, on any participants, or on any systems.

5 RATIONALE FOR PANEL'S RECOMMENDATIONS TO THE AUTHORITY

5.1 Panel's Provisional Recommendations

At its meeting on 13 November 2008, the Panel raised P228 and submitted it directly to the Report Phase on the recommendation of ELEXON (see Panel paper [149/04](#)).

At this meeting, the Panel also agreed its provisional recommendations/views as follows:

- P228 will better facilitate the achievement of Applicable BSC Objective (d) by reducing the potential for confusion over the amounts/rates in force, thereby promoting transparency and efficiency;
- P228 should therefore be made;
- The P228 Implementation Date should be 1 April 2009 if an Authority decision is received on or before 31 March 2009, as this will tie the introduction of the website schedule to the effective date of the new charge amounts/rates (until 31 March 2009 the old amounts/rates shown in the Code will continue to be correct);
- If an Authority decision is received after 31 March 2009, then the Implementation Date should be 1 Working Day after an Authority decision in order to minimise any confusion caused by the old amounts/rates remaining in the Code; and
- The draft legal text delivers the intention of the Modification Proposal.

The Panel agreed that removing the details of the High Grade Service charges from the Code, and referencing a charging schedule, is a pragmatic change as it provides flexibility for potential future revisions.

The Panel noted that some participants may take comfort from the High Grade Service charges being in the Code as any changes are subject to a robust change process. However, the P228 solution does not alter the mechanism for the way that these charges are revised. Participants were invited to provide comments in this area as part of the draft Modification Report consultation, and no concerns were raised by respondents (see below).

5.2 Results of Report Phase Consultation

Three Parties responded to ELEXON's consultation on the draft Modification Report.

All three Parties agreed with the Panel's initial recommendations, as shown in the following summary table. Each Party's full response can be found in Appendix 3.

⁵ The Panel has agreed the base line support charges and the indexation measures to be used. However, the exact indexed support charge amounts for 2010/11 – 2013/14 will not be known and published until the beginning of the year concerned.

Q	Consultation Question	Yes	No
1	Do you agree with the Panel's view that P228 should be approved?	3	0
2	Do you agree with the Panel's suggested Implementation Date?	3	0
3	Do you agree that the legal text delivers the intention of P228?	3	0

All of the responding Parties agreed with the Panel's view that P228 will improve efficiency:

- One Party noted that P228 will stop the Code falling out of date;
- One Party believed that P228 will make it more efficient to amend the High Grade Charge amounts/rates in future, in a way which is consistent with other configurable Code parameters;
- One Party considered that P228 will aid the clarity and transparency of the High Grade Charges, and that this will be likely to reduce both the number of queries to ELEXON and the potential for Party misinterpretation. The Party agreed that this will provide a benefit under Applicable BSC Objective (d). The Party also noted the Panel's view that P228 could reduce confusion for new entrants, and believed that this will also deliver a small benefit under Applicable BSC Objective (c).⁶

All three Parties agreed with the Panel's proposed Implementation Date:

- One Party commented that it makes sense to tie the implementation of P228 to the introduction of the new charge amounts/rates on 1 April 2009;
- One Party noted that an alternative approach could be to publish two schedules together on the website – one containing the current amounts/rates and one containing the new amounts/rates to apply from 1 April 2009. The Party considered that this could enable implementation to be undertaken sooner and would help highlight the forthcoming change in charges. However, on balance, the Party considered that only changing the Code from 1 April 2009 (as recommended by the Panel) is simplest and most efficient.

ELEXON previously considered and discounted the same alternative implementation approach on grounds of efficiency/simplicity. Producing an extra version of the schedule containing the current charges would add to the implementation effort and would deliver wording which is identical to the existing Code text (which remains correct until 31 March 2008).

However, ELEXON could publish the schedule of new charges on the BSC Website before the P228 Implementation Date, even though the Code itself will not be changed until on or after 1 April 2009. Participants may find it helpful to refer to the schedule in advance. The Panel is invited to comment on whether it supports this approach.

All responding Parties agreed with the proposed legal text, and none had any comments on its wording.

5.3 Panel's Final Recommendations

[To be completed following the Panel meeting at which the draft Modification Report and Report Phase consultation responses are considered]

⁶ '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.'

APPENDIX 1: LEGAL TEXT AND WEBSITE SCHEDULE

A copy of the proposed website schedule is included as Attachment 1.⁷

Legal text is provided as Attachment 2.

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the [P228](#) page of the BSC Website.

Date	Event
13/11/08	Modification Proposal raised by the Panel and submitted directly to the Report Phase (see Panel paper 149/04).
13/11/08	Draft Modification Report issued for industry consultation
28/11/08	Report Phase consultation responses returned
11/12/08	Draft Modification Report presented to the Panel
12/12/08	Final Modification Report issued to the Authority for decision

APPENDIX 3: REPORT PHASE CONSULTATION RESPONSES

Full consultation responses are included as Attachment 3.

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⁷ The schedule has been updated since the Report Phase consultation was issued to reflect a minor change in TIBCO's client licence price from £1,514 to £1,515.