MODIFICATION REPORT for Modification Proposal P219
'Consistency between Forecast and Out-turn Demand'

Prepared by: ELEXON[1] on behalf of the BSC Panel

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.[2]

Proposed Modification P219 seeks to address an ambiguity surrounding the forecast and Out-turn Demand data reported on the Balancing Mechanism Reporting System (BMRS) and to align the BSC definitions of this Demand data with those contained in the Grid Code. P219 aims to achieve this by providing two sets of data for publication on the BMRS for both Demand forecast and Demand Out-turn. P219 will also introduce into the BSC the definition of Transmission System Demand and amend several definitions as stated in the Modification Proposal, all of which will be aligned with the definitions contained within the Grid Code.

No Alternative Modification has been developed.

BSC PANEL'S RECOMMENDATIONS

Having considered and taken into due account the contents of the P219 draft Modification Report, the BSC Panel recommends:

- **that Proposed Modification P219 SHOULD be made;**
- **an Implementation Date for Proposed Modification P219 of 6 November 2008 if an Authority decision is received on or before 29 May 2008, or 25 June 2009 if the Authority decision is received after 29 May 2008 but on or before 15 January 2009; and**
- **the proposed text for modifying the Code, as set out in the Modification Report.**

[1] ELEXON Ltd fulfils the role of the Balancing and Settlement Code Company ('BSCCo').
[2] The current version of the Code can be found at http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the Modification Group has been able to assess, the following parties/documents would be impacted by P219.

Please note that this table represents a summary of the full impact assessment results contained in Appendix 4.

Parties		Sections of the BSC		Code Subsidiary Documents	
Distribution System Operators	☐	A	☐	BSC Procedures	☐
Generators	☒	B	☐	Codes of Practice	☐
Interconnectors	☒	C	☐	BSC Service Descriptions	☒
Licence Exemptable Generators	☒	D	☐	Party Service Lines	☐
Non-Physical Traders	☒	E	☐	Data Catalogues	☐
Suppliers	☒	F	☐	Communication Requirements Documents	☐
Transmission Company	☒	G	☐	Reporting Catalogue	☐
Party Agents		H	☐	**Core Industry Documents**	
Data Aggregators	☐	I	☐	Ancillary Services Agreement	☐
Data Collectors	☐	J	☐	British Grid Systems Agreement	☐
Meter Administrators	☐	K	☐	Data Transfer Services Agreement	☐
Meter Operator Agents	☐	L	☐	Distribution Code	☐
ECVNA	☐	M	☐	Distribution Connection and Use of System Agreement	☐
MVRNA	☐	N	☐	Grid Code	☐
BSC Agents		O	☐	Master Registration Agreement	☐
SAA	☐	P	☐	Supplemental Agreements	☐
FAA	☐	Q	☒	Use of Interconnector Agreement	☐
BMRA	☒	R	☐	**BSCCo**	
ECVAA	☐	S	☐	Internal Working Procedures	☐
CDCA	☐	T	☐	**BSC Panel/Panel Committees**	
TAA	☐	U	☐	Working Practices	☐
CRA	☐	V	☒	**Other**	
SVAA	☐	W	☐	Market Index Data Provider	☐
Teleswitch Agent	☐	X	☒	Market Index Definition Statement	☐
BSC Auditor	☐			☒	☐
Profile Administrator	☐			Transmission Licence	☐
Certification Agent	☐				
Other Agents					
Supplier Meter Registration Agent	☐				
Unmetered Supplies Operator	☐				
Data Transfer Service Provider	☐				

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1 DESCRIPTION OF MODIFICATION

This section outlines the solution for the Proposed Modification, as developed by the Modification Group.

For a full description of the original Modification Proposal as submitted by National Grid ('the Proposer'), please refer to the P219 Initial Written Assessment (IWA).

1.1 Proposed Modification

P219 was raised on 26 October 2007 by National Grid. P219 seeks to enable submission (to the Balancing Mechanism Reporting Agent (BMRA)) and publication of additional data on the BMRS in order to improve consistency, clarity and detail of forecast and Out-turn Demand information, and allow fuller comparison of forecast and Out-turn Demand data than can be achieved at present. The Proposer believes that this should give participants enhanced information in relation to forecast and Out-turn demand, allowing more efficient operation of the market.

The Proposer has noted that under P219:

- An amended National Demand Forecast, a Transmission System Demand Forecast and Transmission System Demand Out-turn will exist for **all timescales**. National Grid explained that two streams of data would be published on the BMRS i.e. National Demand forecast and National Demand Out-turn as one stream, and Transmission System Demand forecast and Transmission System Demand Out-turn as a separate stream;
- National Demand Out-turn will remain unchanged; and
- The BSC provisions will be aligned with the Grid Code.

Currently there are inconsistencies in forecast and out-turn data, for example the 1-2 day National Demand Forecast (DF) at 09.00am **does not** include Interconnector flows or Demand from station transformers and pumped storage units. This Demand forecast is directly comparable to the published National Demand Out-turn (actual) Demand data, as neither includes Interconnector flows nor Demand from station transformers and pumped storage units.

At a later time (for e.g. 11.00am) during the same day when additional data becomes available to the Transmission Company, revised versions of National Demand Forecasts contain data that **does include** Interconnector flows and Demand from pumped storage units and station transformers.

P219 aims to have two sets of Demand Forecast and Demand Out-turn data, where one set of forecast and out-turn data **includes** Interconnectors, Demand from station transformers and pumped storage, and the other set that **excludes** Interconnectors, Demand from station transformers and pumped storage.

P219 will introduce into the BSC the definitions of:

- Transmission System Demand;
- Transmission System Demand forecast; and
- Initial Transmission System Demand Out-turn;

While amending several definitions in the BSC:

- Indicated Imbalance;
- Indicated Margin; and
- National Demand.

All these definitions will be aligned with the definitions contained within the Grid Code.

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2 AREAS RAISED BY THE TERMS OF REFERENCE

The following areas were considered by the Modification Group during the Assessment Procedure for P219:

- The changes to definitions in the BSC as stated in the Modification Proposal;
- The appropriate format (e.g. graphic or tabular) in which each proposed new data item would be published on the BMRS and the TIBCO messaging service;
- The changes to the BMRS and TIBCO messaging service in order to cope with the increased number of data files;
- The central implementation costs of P219 to the Transmission Company, BMRA and BSCCo – including any potential cost savings which might arise from a parallel implementation with Modification Proposal P220;
- Any Alternative Modification which would better facilitate the achievement of the Applicable BSC Objectives in relation to the issue or defect identified in the Modification Proposal, when compared with the Proposed Modification – including consideration of:
    - Unbundling the various components i.e. One Demand Forecast and one Demand Out-turn with a separate data files which contains the respective Interconnector flows, station transformer demand and pumped storage demand.
- Recommended Implementation Date(s) for P219, taking into account any potential interaction with (and cost implications resulting from) Project Isis; and
- Recommended legal drafting for P219 - having reviewed the suggested drafting included in the Modification Proposal for Section Q and Annex X-2 of the Code, and having developed any additional/amended drafting which may be required (e.g. for Section V or Annex X-1).

These issues are discussed in Section 3 of Appendix 3, and are not covered further here.

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3 IMPLEMENTATION APPROACH AND COSTS

3.1 Modification Group's Recommended Implementation Date

The P219 Implementation Date is based on the Transmission Company's lead time of 4 months and a BSC Agent lead time of 4.5 months. The Implementation Date is:

- 6 November 2008 if a decision is reached on 29 May 2008 **or** 25 June 2009 if a decision is reached after 29 May 2008 but before 15 January 2009.

It is noted that a combined cost benefit (cost saving) will be achieved if a decision is reached before or by 3 April 2008, for both P219 and P220, with an Implementation Date of 6 November 2008 or by 23 October 2008 for an Implementation Date of 25 June 2009.

3.2 Explanation of Costs

The table below indicates the estimated Implementation costs for P219 project in either a November 2008 or June 2009 release. Please note that:

- Currently BSC Agent services are the subject of a procurement exercise through ELEXON's Project Isis and that suggested release dates may interact with the new BMRA system and the chosen Service Provider.
- ELEXON has estimated an additional cost for a new Service Provider **(£30,000 for November 2008 and £60,000 for a June 2009 Implementation Date)** to test and deploy the ported software. It should be noted that this cost is an estimate with a wide tolerance and a more accurate estimate will not be available until the chosen Service Provider is appointed.
- For a November 2008 Implementation Date, there are costs for development and deployment on the **existing Tru-64 system** and an **additional cost to port** the changes to the **new HP-UX and Oracle 10g system**. This is demonstrated in section 3.5.2.a of Appendix 3 (Second P219 Assessment Report).
- For June 2009 the changes brought about by P219 would be directly implemented into the **new HP-UX and Oracle 10g system** with no porting required and thus the overall cost estimate would be slightly lower.

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PROPOSED MODIFICATION IMPLEMENTATION COSTS[3]

		November 2008	June 2009	Tolerance
Service Provider[4] Cost				
	Development, testing & deployment	**£ 130,800**	**£ 140,600**	+/-30%
	Porting	**£ 21,000**	**N/A**	+/-30%
	Total Service Provider Cost	**£ 151,800**	**£ 140,600**	+/-30%
Implementation Cost				
	External Audit	£ Nil	£ Nil	N/A
	Design Clarifications	£ Nil	£ Nil	N/A
	Additional Resource Costs	£ Nil	£ Nil	N/A
	Additional Testing and Audit Support Costs	£ Nil	£ Nil	N/A
Total Demand Led Implementation Cost		**£ 151,800**	**£ 140,600**	N/A

ELEXON Implementation Resource Cost		184 Man days £40,480	184 man days £40,480	+/- 40%
Total Implementation Cost		£ 180,780	£ 176,180	+/- 35%

[3] An explanation of the cost terms used in this section can be found on the BSC Website at the following link: http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

[4] BSC Agent and non-BSC Agent Service Provider and software costs.

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a) Explanation of BSC Agent Costs and Impacts

The BMRA would be required to amend and test its systems in order to publish the data made available under P219. The changes would include modifications to the Summary page (as introduced to the public BMRA website in Q1 2008), additional data items on each existing graph on the BMRS with the option to turn ON or OFF different data sets as well as the creation of new TIBCO messages.

b) Explanation of BSC Party and Party Agent Costs and Impacts

Respondents noted that there would be some impact on their systems but they did not expect the costs to be excessive and would require at least 3 months notice to implement the required changes. Further information and a list of Impacts can be found in Appendix 5 of the second P219 Assessment Report.

c) Explanation of Transmission Company Costs and Impacts

There is no direct impact on the ability of the Transmission Company to carry out its obligations efficiently under the Transmission Licence. The Transmission Company suggested that system and documentation changes are needed and that there is a £100,000 initiation cost, part of which has already been incurred by undertaking feasibility assessment work for improvements to information provision. The total estimated cost quoted by the Transmission Company is £300,000 with an implementation timescale (P219 only) of 3 to 4 months.

The Transmission Company noted in its analysis a cost saving of £200,000 from the total summated costs for P219 and P220, if both P219 and P220 were to be implemented together with an estimated implementation timescale of 6 months.

A detailed impact assessment for the Transmission Company can be found in Appendix 5 of the second P219 Assessment Report.

d) Explanation of BSCCo Costs and Impacts

BSCCo would require approximately 6 months to Implement P219.

BSCCo would be required to:

- Make changes to the impacted Code Subsidiary Documents, carry out testing on the amended software;
- Update Local Working Instructions to reflect the new processes; and
- Provide assurance to the implementation project.

In total this would require 184 man days of effort for either a November 2008 or June 2009 release. However the total costs (including both BMRA and Transmission Company costs) for a November 2008 release would amount to £480,780 and £476,180 for a June 2009 release. For a detailed list of impacts please see Appendix 5 of the P219 assessment report.

It should be noted that there will be a combined 20% cost saving on the ELEXON/BMRA costs if Modification proposals P219 and P220 are implemented together. For Details of the P220 costs, please refer to Section 3 of the P220 Modification Report.

3.3 Modification Groups discussions on Implementation Costs and Impacts

As all respondents agreed to the Implementation approach that was outlined in the P219 consultation document the Group were content with the suggested Implementation Dates set out in section 3.1. There

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was some discussion on implementation in advance of the next **Triad** season; this discussion is captured with the P219 Assessment Report.

Noting the uncertainties in relation to costs for a June 2009 release the Group indicated a preference for a November 2008 implementation.

4 LEGAL TEXT

The Modification Group walked through the Legal text and agreed that it delivers the solution which was proposed by P219 and unanimously supported the Legal text.

A copy of the draft legal text can be found in Appendix 1.

5 ASSESSMENT OF MODIFICATION AGAINST APPLICABLE BSC OBJECTIVES

This section outlines the views of consultation respondents and the Modification Group regarding the merits of P219 against the Applicable BSC Objectives. In addition it provides an explanation of the Group's rationale in arriving at its recommendation to the Panel.

5.1 Summary of overall views of Assessment Consultation respondents

The table below shows the number of respondents who supported the implementation of P219 in light of the implementation costs.

Table 1: Number of Assessment Procedure consultation respondents in favour of implementing P219

Consultation question	Yes	No	Neutral
Do you feel that the defect described in the Proposed Modification P219 should be addressed? Please give rationale	7	1	0
Do you believe Proposed Modification **P219** would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	7	1	0
Do you support the implementation approach described in the Consultation document? Please give rationale	7	1	0

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Table 2 provides a high level summary of the arguments made for and against P219 when considered against whether it better meets the Applicable BSC Objectives.

Table 2: Summary of P219 potential benefits and disadvantages

Area of P219 discussion	Benefits	Disadvantages
Information transparency & accessibility of data *Applicable BSC Objective (c)*	Consistent, transparent and easily accessible information available to all market participants. Lack of transparent and consistent information creates additional costs to participants and the market as a whole. Particular benefit for those without resources to derive data through existing means. Improved 'level playing field'.	Benefits not quantified – outweighed by implementation costs.
Barriers to entry *Applicable BSC Objective (c)*	Reduced 'information asymmetry'. Improved 'level playing field'. Reduce reliance of small participants on third party services (e.g. energy consultancies). Should encourage new entrants to the electricity market.	Not demonstrated that benefits outweigh costs.
Market behaviour *Applicable BSC Objective (b)*	Improved forecasting and self-balancing which should improve the self balancing of the market. Should reduce market Imbalance cash flow. Will potentially achieve costs savings in excess of the implementation costs.	Benefits not quantified. Assumptions about changes in behaviour not proven. Cost savings based on assumptions.
Cost-benefit *Applicable BSC Objective (d)*	Reduce the number of queries to National Grid and ELEXON on the inconsistent data items. Data that is published in a consistent form and is the same as that of other industry codes improves efficiency of the trading arrangements. Difficult to quantify benefits, but will outweigh implementation costs.	Benefits not quantified – outweighed by implementation costs.

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5.2 Second assessment consultation respondents views on the perceived cost benefits models for P219

The Modification Group developed theoretical models indicating how benefits may be realised under P219, in anticipation that respondents would provide rationale for why they were 'for' or 'against' the models and provide any cost benefit analysis where appropriate.

However respondents generally agreed with the models but did not provide any specific information or detailed cost benefits analysis for benefits to their business. The Proposer stated that over a five-year period there would be an average annual saving of £110k to the industry (discounted at 5%), which will more than offset the implementation costs of £480k and stated that these savings formed a small proportion of the 0.07% of the annual Imbalance costs of £158 million. The Proposer also carried out further analysis of the industry's Imbalance exposure (via a price premium paid on Imbalance volumes) and showed how a small reduction in the price premium would be sufficient to justify the implementation costs of P219. This calculation is shown in detail in Section 4.3e of the second P219 Assessment Report (which can be found as Appendix 3 to this report).

One respondent remained neutral, as in its opinion P219 would not have any material impact on the Imbalance volumes whereas another respondent stated that P219 may or may not provide any benefits to his company.

Respondents noted they subscribe to third parties for the provision of clear and transparent information from a variety of sources, often tailored to their business. There are a variety of third party data sources which could be inconsistent and leave gaps in knowledge, which adds time and cost on market participants. This is a clear barrier for small and new market participants who may only need to access small amounts of key data rather than time consuming 'hoops' to obtain the same information. It was generally felt that the implementation of P219 would not reduce any such third party costs as no specialist information is provided under P219, however it was suggested that the availability of accessible Demand forecast and Out-turn data should reduce the reliance by small participants on third Parties.

5.3 Information transparency & accessibility of data

The majority of respondents believed that the defect described in the Proposed Modification should be addressed, in the interest of the market as a whole. There were concerns that the implementation costs were high and one respondent did not believe that addressing the defect would have a significant impact on the market.

Respondents indicated that they did use the current forecast and out-turn Demand data on the BMRS for a variety of reasons such as:

- Current BMRS Demand data feeds into business models and provides an early feedback loop for Demand data and forecasting accuracy;
- It assists with Demand management (balancing of production and consumption accounts and including triad warnings) and forecasting;
- It helps form expectations of market behaviour;
- It is used as a reference/benchmark tool for forecasting and directly influences operational decisions made within the wholesale business; and
- Large consumers may be bulk purchasers of electricity for their commercial operations and would find this data useful in making commercial decisions on purchases.

It was felt that the benefits of publishing the revised Demand data on the BMRS would include:

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- For Parties, the improved and timely provision of data will reduce the reliance on day-ahead forecasts;
- For Parties and the industry, the improved Demand forecasting will reduce Imbalance position; and
- There are potential timesaving benefits to both National Grid and ELEXON, as the enhanced clarity in the provision of Demand data will reduce the administration and resource burden on these Parties as a result of queries on the current inconsistent Demand data.

5.4 Value of information proposed under P219 and resulting cost savings to business

The industry and Group found it difficult to place a value on the Demand information proposed under P219 and whether the benefits outweigh the implementation costs.

Some respondents indicated that their company would not significantly benefit but did strongly support the facilitation of a competitive market and the removal of information barriers which currently exist. Comments were received that indicated some Parties felt the benefits and savings of P219 outweigh the implementation costs whereas in contrast one respondent felt that the large share of implementation costs that their company had to pay meant improvements in the BMRS would be outweighed.

There was a belief that the publication of consistent and robust Demand information should ensure efficient market outcomes.

5.5 Implementation Approach

It was noted that there has been £100,000 incurred by the Transmission Company for initiating work with respect to both P219 and P220. The Transmission Company explained that these initiation costs were incurred in order to ensure the timely implementation of P219 (and P220), should P219 (and/or P220) be approved.

It was therefore queried whether it was appropriate to show this as part of the P219 implementation costs since this might imply that money could be saved if the proposals were rejected. The Group noted that the decision whether to include this figure within the implementation costs was also relevant to its cost-benefit analysis of P219, since it would effectively require an extra £100,000 benefit to the industry to be identified.

Concern was raised that, should P219 and/or P220 be rejected, it would be questionable whether these costs had been 'reasonably and prudently' incurred by the Transmission Company and should be recouped from participants.

The table below shows the differences in Transmission Company costs with and without the inclusion of the incurred costs.

Table 3: Transmission Company costs

	Delivery approaches			
National Grid delivery costs	**Stand-alone costs including 'incurred costs'**	**Stand-alone costs excluding 'incurred costs'**	**Combined P219/P220 costs including 'incurred costs'**	**Combined P219/P220 costs excluding 'incurred costs'**
P219	£300,000	£200,000	£600,000	£500,000
P220	£600,000	£500,000		

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It was generally felt by both Modification Group members/attendees and respondents, that it is critical to implement P219 as soon as possible in order to keep costs down and to realise the benefits sooner. Additionally P219 should be implemented together with P220 to minimise costs and maximise benefits, and that there would be a 20% reduction in combined costs for implementing both Modifications.

5.6 Facilitation of Applicable BSC Objectives

The majority of the respondents felt that P219 better facilitated the achievement of the Applicable BSC Objectives. One respondent suggested that the introduction of consistency between forecast and Out-turn Demand should reduce the time taken by National Grid and ELEXON to formulate responses to industry queries relating to inconsistent data. Respondents generally agreed that unambiguous information would improve self-balancing by market participants, market competition and improve the facilitation of Applicable BSC Objective (b) and it was likely that the benefits would be intangible.

One respondent felt that improvements to definitions of Demand terms should reduce the number of queries to ELEXON (Applicable BSC Objective (d)) while another respondent felt that data that is published in a consistent form and is identical to that of other industry codes improves efficiency of the trading arrangements (Applicable BSC Objective (d)). On the contrary there was the view that P219 did not better facilitate Applicable BSC Objective (d) because of the implementation costs.

Another respondent stated that on balance the high cost of implementing P219 outweighed any benefits and therefore P219 did not better facilitate the Applicable BSC Objectives.

5.7 Further comments

When given the opportunity for further comment, the majority of the respondents suggested that the decision in favour of P219 is finely balanced as there are significant implementation costs and no clearly defined quantifiable cost benefits. Similarly the other respondents added that it was preferable to implement P219 with P220. One respondent suggested that Working Groups should be set up to discuss Modifications where the System Operator has a cost implication. However another respondent acknowledged National Grid's explanation that its systems are designed for robustness rather than flexibility.

One of the respondents highlighted that:

- The industry should not take a backward step by reducing the data available;
- Improved, transparent, accurate and timely information will help and support further increases in competition within the market;
- The costs for P219 appear to be excessive for a change of this magnitude but relatively small when compared with costs the industry has borne for other changes; and
- Comparisons between the Electricity and Gas markets and the impact of the implementation of the Modification UNC006 and this Modification in particular were not entirely valid due to the differences between the markets and the availability of information at the time of implementation.

In conclusion the respondents in the second P219 Assessment Procedure Consultation were generally supportive of the Proposed Modification P219 in the knowledge of the total P219 implementation costs. While some respondents acknowledged the difficulty in describing any benefits from the implementation of P219, the majority felt that benefits gained from clear, consistent and easily accessible information outweighed the implementation costs.

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6 GROUPS FINAL VIEWS ON APPLICABLE BSC OBJECTIVES AND RECOMMENDATION TO THE PANEL

Prior to a second Assessment Procedure consultation being issued, the Modification Group strongly supported additional information being made available to all market participants, due to the benefits in better facilitating the achievement of Applicable BSC Objectives (b) and (c). The Group recognised however that these benefits had to be weighed against the implementation cost of the Modification Proposal. The second Assessment Procedure consultation was therefore intended to gather evidence that would allow the benefits against Applicable BSC Objectives (b) and (c) to be quantified.

The Group considered whether any further evidence of benefits had been provided as a result of the second Assessment Procedure consultation. Whilst it was asserted by some respondents that the benefits outweigh the costs, it was mindful of the Panel's concern about identifying quantitative or qualitative benefits that would be achieved by implementing P219. The Group however **did not** consider there was sufficient further evidence to show that these benefits outweighed the implementation costs on Applicable BSC Objective (d) and therefore concluded, by majority that overall P219 did not better facilitate the achievement of the Applicable BSC Objectives. Group members felt that it was difficult to quantify the benefits and as a consequence, virtually impossible for the respondents to do the same.

In light of the above assessment and the overwhelming support from respondents in the second Assessment Procedure consultation, the **MAJORITY** of the Modification Group recommended to the Panel, that the Proposed Modification **SHOULD NOT** be made

At its final meeting, the Modification Group noted that the second consultation had been issued to the Demand Side Working Group (DSWG) by the Ofgem attendee present at the Modification Group meetings. The group further noted that the lack of response from members of the DSWG. Following the final Modification Group meeting, the Chair of the Modification Group wrote to the DSWG members (via Ofgem) to inform the DSWG members of the outcome of the Modification Group discussions and to:

- further understand why there had been such a low response to the consultation; and
- provide a final opportunity for DSWG members to comment on the benefits of P219.

The Chair agreed that any such responses would be made available to the Panel in considering the P219 Assessment Report. It should be noted that these further responses are contained in Appendix 6 of the second P219 assessment report and that no analysis by the Modification Group of the content of these responses has taken place.

7 RATIONALE FOR PANEL'S RECOMMENDATIONS TO THE AUTHORITY

7.1 Panel's Consideration of Assessment Report

The Panel considered the P219 Assessment Report at its meeting on 14 February 2008. This section summarises the Panel's discussions in formulating its provisional recommendation for inclusion in the draft Modification Report. Details of the Report Phase consultation responses, the Panel's discussion of the responses and its final recommendation to the Authority can be found in Sections 5, 7.7, 7.8 and 7.9 respectively.

A Panel member voiced his concern at the ambiguity within the BSC, between industry codes and that the BSC provides for a BMRS service that is inconsistent, and felt that this could create considerable problems in the future, especially for newer market participants. The Panel member maintained that removing the ambiguity in the Code is essential and would lead to significant cost savings.

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The Panel member continued to express discomfort at the current discrepancies in data published on the BMRS, which the member felt, could force small and new participants to enlist expensive services with third parties such as energy consultancies in transparent data provision.

In conclusion the Panel agreed with the assumptions set out in the Models (section 4.2 of Appendix 3) and with the assumptions on cost savings made by DSWG members. The Panel also agreed that, whilst it was difficult to predict absolutely what would happen once P219 were to be implemented, the benefits were likely to occur, and greater transparency should benefit smaller and new participants.

An observation was made that it was not always possible to quantify benefits, and although the Panel was encouraged with the attempts made by the Modification Group at quantifying the benefits, acknowledged that the qualitative benefits are also important.

7.2 Assessment Procedure Consultation Responses

The Panel noted the overwhelming support from respondents during the second consultation in light of the implementation costs for P219 and noted the majority and minority views from respondents on whether P219 better facilitated the achievement of Applicable BSC Objectives.

The Panel complimented the P219 Modification Group on its hard work in developing the 3 models as outlined in section 4.2 and for exhausting all possible options so as to elicit more detailed responses on the benefits of P219 from the industry.

A link to the full P219 Assessment Report is available in Appendix 3.

The Panel had the benefit of seeing 3 responses from DSWG members indicating perceived costs benefits. The Panel noted all member's views that the savings were substantive and 2 DSWG responses indicating potential savings of 1.2 million and 7.5 million pounds based on a reduction in Imbalance volumes or the cost of energy. The Panel acknowledged these responses and the potential benefits.

7.3 Applicable BSC Objectives

Proposed Modification

The unanimous provisional view of the Panel was that the Proposed Modification would better facilitate the achievement of Applicable BSC Objectives (b), (c) and (d) when compared to the current Code baseline, and these views have been summarised below:

Applicable BSC Objective [b]

The Panel unanimously agreed with the arguments made in favour of P219 during the second consultation that:

- P219 should improve forecasting and self balancing of market participants which in turn should;
- improve the self balancing of the market, thereby enabling the efficient operation of the GB Transmission System and in turn potentially reducing the total Market Imbalance; and
- the cost savings achieved under P219 would be in excess of the implementation costs.

Applicable BSC Objective [c]

The unanimous view of the Panel was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline. The Panel felt that the clear, transparent and consistent information would help increase competition by:

- providing consistent information for all market participants, and in an easily accessible manner;

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- removing the cost to market participants and the market as a whole brought about by the lack of transparent information;
- reducing the information asymmetry that exists in the market between the bigger and smaller participants and by doing so should provide a level playing field for all market participants;
- benefiting those participants with no or little resources;
- encouraging new entrants to the market; and
- reducing the reliance of small participants on third party information;

Applicable BSC Objective [d]

The unanimous view of the Panel was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (d) when compared to the current Code baseline as:

- There would be a reduction in queries to both National Grid and ELEXON on the inconsistent Demand data items; and
- The provision of consistent data, and definitions that are the same as other industry codes would improve the trading arrangements.

7.4 Provisional recommendation to the Authority

The Panel therefore agreed a unanimous provisional recommendation to the Authority that the Proposed Modification **SHOULD** be made.

7.5 Implementation Date

The Panel unanimously agreed with the Implementation Dates and approach proposed by the Modification Group and agreed with the suggestion from the consultation respondents that P219 and P220 should be implemented together to maximise benefits and to achieve the resulting cost savings.

7.6 Legal Text

The Panel reviewed the draft text for the Proposed Modification and agreed the draft text addresses the defect identified by the Modification Proposal.

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7.7 Results of Report Phase Consultation

7 responses including one from a respondent who did not participate in the Assessment Procedure consultation were received to the P219 Report Phase consultation.

A summary of the consultation responses is provided in the table below.

Table 4: Summary of Report Phase consultation responses

Q	Consultation question	Yes	No	Neutral / No comment
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that the Proposed Modification should be made?	6	1	0
2.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P219?	7	0	0
3.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution agreed by the Modification Group?	7	0	0

The majority of the P219 Report Phase consultation responses agreed with the Panel's provisional recommendation that:

- P219 should be made; and
- the legal text provided in the draft P219 Modification Report delivers the solution agreed by the Modification Group.

The arguments made in favour of the Panel's provisional recommendation were that:

- benefits under P219 will outweigh implementation costs;
- consistent and transparent information should improve the self balancing of the market thereby assisting the more efficient and economic operation of the system (Applicable BSC objective (b));
- Data that is easily accessible, consistent and clear will promote effective competition in the generation and supply of electricity (Applicable BSC objective (c));
- P219 will improve the definitions of demand terms thereby removing ambiguity in the BSC and reducing the number of queries to both ELEXON and National Grid (Applicable BSC objective (d)); and
- the benefits of savings arising from implementing P219 would flow to the consumers in due course.

The respondent that disagreed with the Panel's provisional recommendation felt that the large implementation costs were not justified when compared to the current defect in data provision. It was recollected that respondents from the second consultation indicated that they would not experience any cost savings and that the DSWG whilst stating that there would be benefits, provided no evidence on how the cost savings may be achieved if P219 were to be implemented. Furthermore the respondent reiterated that comparisons to the equivalent gas market modification should not be made, due to the large differences in the ways the two markets operate.

However it was suggested that while there are misgivings on the implementation costs, the demand forecasts and market balancing accuracy will be improved and therefore provide cost savings in excess of the implementation costs. Additionally respondents generally felt that costs for P219 would be lowered by a

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joint implementation with P220 and that both P219 and P220 should be implemented as soon as possible so as to maximise the benefits to the market.

Respondents unanimously agreed with the Panel's provisional recommendations concerning the Implementation Date.

The consultation responses contained no new arguments to those previously expressed during the P219 Assessment Procedure consultations.

Full copies of the consultation responses can be found in Appendix 4.

7.8 Panel's Consideration of Draft Modification Report

The Panel reconfirmed its unanimous view that P219 better facilitated the Applicable BSC Objectives (b), (c) and (d). Those Panel members not present at the last meeting confirmed that they agreed that the Modification better facilitated the Applicable BSC objectives for those reasons set out in section 7.3 of this report. One member commented that P219 was the right Modification to deal with the current anomaly, as such an anomaly in the electricity market is not tenable. Another member noted that there would be a 20% cost saving for both the Transmission Company and ELEXON/BMRA costs, if Modification Proposals P219 and P220 are implemented together. No further comments were made.

7.9 Panel's Final Recommendation to the Authority

On the basis of the above discussions the Panel UNANIMOUSLY agreed a recommendation to the Authority that the Proposed Modification SHOULD be made.

The Panel agreed the following recommended implementation approach for P219:

- An Implementation Date for Proposed Modification P219 of 6 November 2008 if an Authority decision is received on or before 29 May 2008; or
- An Implementation Date for Proposed Modification P219 of 25 June 2009 if the Authority decision is received after 29 May 2008 but on or before 15 January 2009.

The Panel agreed the legal text for modifying the Code in respect of the Proposed Modification, as provided in Appendix 1.

TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
IWA	Initial Written Assessment
BMRA	Balancing Mechanism Reporting Agent
BMRS	Balancing Mechanism Reporting System
CSD	Code Subsidiary Document

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8 DOCUMENT CONTROL

8.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	15/02/2008	Sherwin Cotta		For technical review
0.4	19/02/2008		BSC Parties and other interested parties	For consultation
0.5	04/03/2008		John Lucas / Richard Clarke	For technical review / Quality review
0.6	07/03/2008	Change Delivery	BSC Panel	For Panel decision
1.0	14/03/2008	BSC Panel		For Authority decision

8.2 References

Ref.	Document Title	Owner	Issue Date	Version
1	Second P219 Assessment Report http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/219/137_06_P219_Assessment_Report_Attachments.zip	ELEXON	08/02/08	1.0
2	P219 Initial Written Assessment http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/219/IWA_133_08_P219IR1.0.pdf	ELEXON	09/11/07	1.0
3	CP1217 'Discontinuing the High Grade BMRS website' http://www.elexon.co.uk/changeimplementation/ChangeProcess/proposals/proposal_details.aspx?proposalId=715	ELEXON	9/11/07	1.0
4	National Grid Electricity Market Information Consultation: Conclusions Report http://www.nationalgrid.com/uk/Electricity/Data/electricitymarketinfo/	National Grid	15/10/07	N/A
5	P219 Requirements Specification: http://www.elexon.co.uk/documents/circulars/Change_Proposal_Circular/CPC00622A.pdf	ELEXON	17/11/07	1.0
6	The Statement of the Use of System Charging Methodology http://www.nationalgrid.com/NR/rdonlyres/33828A47-C4A4-490B-AF7C-25E6E8D7C1DC/17924/UoSCMI3R1FINAL_BSUoSandCAP142_2.pdf	National Grid	22/06/07	3.0
7	Initial P219 Assessment Report http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/219/Second_P219_Assessment_Consultation_v1.0.pdf	ELEXON	17/01/08	1.0
8	Documentation for P220 'Provision of New Data Items for Improving Market Information' http://www.elexon.co.uk/ChangeImplementation/modificationprocess/modificationdocumentation/modProposalView.aspx?propID=240	ELEXON	09/11/2007	1.0

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APPENDIX 1: LEGAL TEXT

Draft legal text for the Proposed Modification is attached as a separate document, Attachment [1].

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the BSC Website at: http://www.elexon.co.uk/ChangeImplementation/modificationprocess/modificationdocumentation/modProposalView.aspx?propID=239

Date	Event
26/10/2007	Modification Proposal raised by National Grid
09/11/2007	IWA presented to the Panel
13/11/2007	First Assessment Procedure Modification Group meeting held
27/11/2007	Requirements Specification issued for BSC Agent impact assessment
27/11/2007	Request for Party/Party Agent impact assessments request issued
27/11/2007	Request for Transmission Company analysis issued
27/11/2007	Request for BSCCo impact assessment issued
10/12/2007	BSC Agent impact assessment response returned
10/12/2007	Party/Party Agent impact assessment responses returned
10/12/2007	Transmission Company analysis returned
10/12/2007	BSCCo impact assessment returned
12/12/2007	Second Modification Group meeting held
17/01/2007	Initial Assessment Report presented to the Panel
23/01/2007	Third Modification Group meeting held
24/01/2007	Second Assessment Procedure Consultation held
04/02/2008	Fourth Modification Group meeting held
14/02/2008	Second Assessment Report presented to the Panel
19/02/2008	Draft Modification Report issued for industry consultation
03/03/2008	Report Phase consultation responses returned
13/03/2008	Draft Modification Report presented to the Panel
14/03/2008	Final Modification Report issued to the Authority for decision

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ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL[5]

Meeting Cost	£ 1,500 (£750)
Legal/Expert Cost	£ Nil
Impact Assessment Cost	£ 5,000 (£5,000)
ELEXON Resource	50 man days (38 man days) £ 9,400 (£7,990)

The above costs have changed from the IWA/Definition Report. P219 has undergone two further meetings (a total of 4 meetings) of which one were shared with P220. Original costs for progressing P219 are shown in brackets.

APPENDIX 3: ASSESSMENT REPORT

The P219 Assessment Report is attached as a separate document, Attachment [2].

For the purposes of the Report Phase consultation and the Panel's consideration of the draft Modification Report, the P219 Assessment Report can be found on the BSC Website at: http://www.elexon.co.uk/ChangeImplementation/modificationprocess/modificationdocumentation/modProposalView.aspx?propID=239

The Assessment Report includes:

- The conclusions of the Modification Group regarding the areas set out in the P219 Terms of Reference;
- Details of the Group's membership;
- The full results of the Assessment Procedure impact assessment;
- Full copies of all responses to the Assessment Procedure consultation; and
- The Terms of Reference.

APPENDIX 4: REPORT PHASE CONSULTATION RESPONSES

The full list of Report Phase consultation responses is attached as a separate document, Attachment 8.

[5] Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link: http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

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