

P215 TRANSMISSION COMPANY ANALYSIS AND IMPACT ASSESSMENT – RESPONSE PRO-FORMA

In accordance with paragraph F 2.8 of the Code, please respond to the following questions concerning P215 (including the rationale for each response):

Q	Question	Response
1	Please outline any impact of the Proposed Modification and Alternative Modification(s) on the ability of the Transmission Company to discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated transmission system.	<p>Currently the motivation for the MW level that Parties indicate within their FPN submission is to provide a best indication of their intended physical output to the GB System Operator. It is prudent to highlight that the Proposed and Alternative Modification introduces a second motivation for the value of FPN submitted as it introduces an incentive on Parties to submit an FPN value that might reflect an improved credit position. This second motivation introduces a direct financial incentive that is not currently experienced. If the submission of FPNs is incentivised not to reflect the best estimate of expected load level it will, by its very nature, have an impact on the System Operator's ability to manage the Transmission System economically and efficiently.</p> <p>We note the analysis undertaken by the modification group to quantify the materiality of the submission of inaccurate FPNs and observe the results project a minimal financial gain. However there remains the possibility that Parties would still be able to alter their FPNs for financial benefit and therefore we have reservations that the Proposed and Alternative Modification may have an impact on the Transmission Company's ability to operate an efficient, economical and coordinated transmission system. We note that this impact would be reduced under the Alternative Modification due to the utilisation of actual metered output for certain classifications of BMUs.</p>
2	Please outline the views and rationale of the Transmission Company as to whether the Proposed Modification would better facilitate achievement of the Applicable BSC Objectives.	<p>On balance we believe that the Proposed Modification is an improvement on the current baseline however we have a number of reservations regarding certain sub categories of BMU participants who may be under-securitised as a consequence of this Proposed Modification and the risk this may place on the industry.</p> <p>We believe that the Proposed Modification would not better facilitate the achievement of Applicable BSC Objective (b) as this Modification introduces an incentive for Parties to amend their FPN to benefit their credit position at the expense of its accuracy and usefulness to the System Operator.</p> <p>We believe that the Proposed Modification would not better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline because of the potential for certain BMU participated to under-securitised their credit cover and the risk this may place on the industry.</p> <p>We believe that the Proposed Modification would better facilitate the achievement of Applicable BSC Objective (d) when compared to the current Code baseline because it would lead to increased</p>

		efficiency.
3	Please outline the views and rationale of the Transmission Company as to whether the Alternative Modification(s) would better facilitate achievement of the Applicable BSC Objectives.	<p>We believe that Alternative Modification would have a neutral impact on Applicable BSC Objective (b) as the potential for Parties to alter their FPN to improve their credit position would be reduced due to the utilisation of actual metered output for certain classifications of BMUs.</p> <p>We believe that the Alternative Modification would better facilitate the achievement of Applicable BSC Objective (c) when compared to the current Code baseline as it would provide more accurate estimation of Metered Volumes than the Proposed Modification due to the utilisation of actual Metered Volume data.</p> <p>We believe that the Alternative Modification would better facilitate the achievement of Applicable BSC Objective (d) because they would lead to increased efficiency.</p>
4	Please outline the impact of the Proposed Modification and Alternative Modification(s) on the computer systems and processes of the Transmission Company, including details of any changes to such systems and processes that would be required as a result of the implementation of the Proposed Modification.	<p>We advocate that the implementation of either P215 Proposed or Alternative should be via the maintenance of two versions of the CRA-I020 and ECVA-I014 (for P215 Alternative only). This would avoid significant unnecessary impact on the System Operator's IS applications, as we do not require the Credit Cover information contained in the revised flows to conduct out key business activities.</p> <p>We acknowledged that there will be an on going maintenance cost in having two versions of the relevant files and therefore it may be worth assessing whether the different data flows should be returned to parity at some future date.</p> <p>Any additional impact on our systems and processes is dependent on whether the proposed solution introduces a mandatory obligation for demand BMUs with Production status Trading Units to submit FPNs. The inclusion of such an obligation may have implications for the System Operator's systems in terms of the information utilised to dispatch the system as well as the publication of margin and demand forecast on the BMRS.</p>
5	Please provide an estimate of the development, capital and operating costs (broken down in reasonable detail) which the Transmission Company anticipates that it would incur in, and as a result of, implementing the Proposed Modification and Alternative Modification.	<p>If the two version implementation approach is not selected the associated IS system costs would be as follows:</p> <p><i>Proposed Modification</i></p> <p>The Panel Qualifying Flag element of the proposed solution would require modifications to the registration file CRA-1020 which the System Operator receives from Elexon; the data of which is disseminated into six separate System Operator's IS applications. Each application would have to be modified to reflect the changes made to the CRA-1020 file. The changes to the CRA-1020 file would be necessary to reflect the discretionary role of the BSC Panel to permit approximately 14 BMUs</p>

		<p>eligibility for the P215 provisions.</p> <p>Given the number of IS applications affected and with some uncertainty regarding the exact system design changes to the CRA-1020 file, it is the Transmission Company's initial estimate that the associated works will cost £250,000. Given the need to programme resources to carry out the implementation of this modification, a decision by the Authority by June 2008 will allow us to deliver the required changes by June 2009.</p> <p><i>Alternative Modification</i></p> <p>In addition to the amendments to the CRA-1020 file the Alternative Modification would require modifications to the ECVA-1014 file which the System Operator receives from Elexon. The data from both files is disseminated to eight separate System Operator's IS applications (which are inclusive of the six applications identified for the proposed solution). Each application would have to be modified to reflect the changes made to the ECVA-1014 file.</p> <p>Given the number of IS applications affected and with the uncertainty regarding the exact system design changes to the CRA-1020 and ECVA-1014 file, it is the Transmission Company's initial estimate that the associated works will cost £350,000. Given the need to programme resources to carry out the implementation of this modification, a decision by the Authority by June 2008 will allow us to deliver the required changes by June 2009.</p> <p>The costs and associated timelines are reflective of the high level of interdependency at the interface between Elexon's (Logica) and the System Operator's IS systems. It is also reflective of the fact that the files impacted by this Modification are not subject to regular/frequent change.</p> <p>In addition if mandatory submission of FPNs for demand BMUs with Production status Trading Units is included in either the Proposed or Alternative Modification, we will provide an estimate of the associated cost which it would incur as a result of implementing this aspect of the modification.</p>
6	Please provide details of any consequential changes to Core Industry Documents and/or the System Operator Transmission Owner Code that would be required as a result of the implementation of the Proposed Modification and Alternative Modification(s).	<p>Currently the mandatory obligation to submit FPNs is given force if the Party is a signatory to the CUSC and therefore obligated to fulfil the relevant Grid Code provisions. It seems highly inappropriate for Parties to become CUSC signatories (and obligated to comply with the relevant Grid Code obligations) purely to use the System Operator's IS system as some form of elaborate conduit to enable SVA BMU to submit some form of, unmonitored, indicative output to the BSC for the purposes of credit exposure.</p> <p>If the mandatory submission of FPNs for demand BMUs with Production status Trading Units is included, in either the Proposed or Alternative Modification, it would necessitate significant complex</p>

		<p>changes to the Grid Code e.g. a review of the mandatory MW threshold for FPN submission which would have implications for key operational processes, impact the market information provided by the GB System Operator via the BMRS and have material consequential implications for the industry at large.</p> <p>It would also necessitate a formal review of the contractual frameworks between the Transmission Company and Users and may require the development of a new framework to accommodate demand BMUs within Production status Trading Units. The time and resource that would be employed in resolving this complex issue should not be underestimated.</p> <p>We believe it inappropriate that such wide ranging complex industry code changes should be developed purely to enable a Party to submit a form of indicative output for the purposes of credit exposure. Therefore the Transmission Company does not advocate the mandatory submission of FPNs by demand BMUs within Production status Trading Units.</p> <p>Should the relevant Parties wish to benefit from the P215 proposal (for credit purposes), we believe that there are more appropriate and proportional options available to facilitate this small sub set of BMUs as outlined by the optional submission of FPNs.</p>
7	Any other comments on the Proposed Modification and Alternative Modification.	<p>In theory the Proposed and Alternative Modification is an improvement on the current baseline however in practical terms and based on current discussions and industry views submitted as part of the first consultation, nothing has been presented to substantiate that parties would either i) change their existing credit cover arrangement or ii) have access to flexible credit arrangements such that the monetary benefits which the Modification represents materialise.</p> <p>If it is demonstrated that the implementation of the Modification would represent actual financial savings then we believe on balance that the Modification (and in particular the Alternative Proposal) would be beneficial to individual Parties and to the industry as a whole.</p>

Please send your response by **17:00 on 15 November 2007** to modifications@elexon.co.uk. Any queries regarding the analysis should be addressed to Dean Riddell on 0207 380 4366 or email address dean.riddell@elexon.co.uk.