



## Memorandum

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**To** P200 Modification Group

**cc.** Colin Berry, Mark Couldrick

**From** Kathryn Coffin

**Date** 26 May 2006

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### **P200: PROPOSED MODIFICATION IMPLEMENTATION COSTS**

This memo sets out the estimated implementation and operational costs of Proposed Modification P200. These estimates are based on the results of impact assessments conducted by ELEXON, BSC Agents, BSC Parties and the Transmission Company.

The costs given in this memo are the 'full' costs of P200 – i.e. they include both the costs of implementing the zonal TLFs element of the proposal (identical to the costs for Proposed Modification P198) and the additional costs of implementing the transitional hedging scheme element. Please refer to the previous memo to the P198 Modification Group (dated 18/04/06) for a more detailed explanation of the costs of the zonal TLFs aspect of P200, since these are the same as for P198.

### **Transmission Company Costs**

The Transmission Company costs for Proposed Modification P200 are identical to those for Proposed Modification P198 (i.e. the hedging scheme element of P200 has no additional impact on the Transmission Company). These costs are:

- Initial Implementation Costs (including development costs and operational costs for the first BSC Year of the scheme): £40,000
- Ongoing Operational Costs Per Subsequent BSC Year: £40,000

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## BSC Party and Party Agent Costs

P200 would have no impact on any Party Agents.

The table below summarises the responses received from BSC Parties to the P198 and/or P200 impact assessments. It shows the total cost to Parties of implementing both the zonal TLFs and hedging scheme elements of P200, as well as the separate costs of each element.

BSC Party Name(s)	Impacted by P198?	P198 Costs/ Development Time	P198 TLF Publication Lead Time	Additional Impact from P200?	Additional Costs/ Development Time of P200 Compared with P198	Total P200 Costs/ Development Time	P200 F-Factor Publication Lead Time
E.On UK Plc	No	Minimal development lead time – no cost	Minimal lead time required	No P200 impact assessment response provided			
Southern Electric Power Distribution, Keadby Generation Ltd, SSE Energy Supply Ltd, SSE Generation Ltd, Scottish Hydro-Electric Power Distribution Ltd, Medway Power Ltd	Yes	Development time not specified – confidential costs provided	Absolute minimum 3 months – prefer 6 months	Yes	No additional development time specified – additional costs provided	Total development time unknown – confidential costs provided	4 months
EDF Energy	Yes	At least 3 months' development time – costs would be £150,000-£200,000	None specified	Yes	A further 2 months' development time would be required – costs would be increased by £50k	At least 5 months' total development lead time – costs would be £200,000-£250,000	10 Working Days

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BSC Party Name(s)	Impacted by P198?	P198 Costs/ Development Time	P198 TLF Publication Lead Time	Additional Impact from P200?	Additional Costs/ Development Time of P200 Compared with P198	Total P200 Costs/ Development Time	P200 F-Factor Publication Lead Time
Scottish Power UK plc, ScottishPower Energy Management Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, SP Manweb plc, SP Transmission Ltd, SP Distribution Ltd	Yes	Minimum 8 months' development time – costs would be c.£200,000	Minimum 3 months	Yes	Additional impact/costs would be absorbed in the figures already provided for P198	Minimum 8 months' total development time – costs would be c.£200,000	3 months
Npower Limited, Npower Yorkshire Limited, Npower Yorkshire Supply Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Direct Limited	Yes	At least 6 months' development time – confidential costs provided		No response received			
British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, British Energy Direct Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd	Yes	3-6 months' development lead time required – costs likely to be significant and measured in at least 6 figures	6 months		P200 would result in a small to medium increase in development lead time and costs from those specified for P198	6 months' total development lead time required – costs likely to be significant and measured in at least 6 figures	3 months

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## ELEXON/Central Costs

### a) Implementation Costs

The table below shows the total estimated costs of implementing Proposed Modification P200 (i.e. the costs of both the zonal TLFs and hedging scheme elements). These are shown against the implementation costs for Proposed Modification P198. Since the costs of the zonal TLFs element of P200 are identical to the implementation costs for Proposed Modification P198, the difference between the two columns in the table represents the additional costs of including the hedging scheme.

Please note that in addition to the ELEXON implementation resource cost shown below, P200 would also incur some additional external consultancy costs to amend ELEXON's TOMAS system in order to support F-factors. An impact assessment of these costs is currently being sought by ELEXON, which are likely to be in the region of £50,000.

		P200 Cost	P198 Cost	P200 Tolerance	P198 Tolerance
<b>Logica CSA Cost</b>	Change Specific Cost	£176,933	£18,762	Nil	Nil
	Release Cost	£151,536	£17,114	Nil	Nil
	<b>Total Logica CSA Cost</b>	<b>£328,469</b>	<b>£35,876</b>	Nil	Nil
<b>TLFA/LFMR Cost</b>	Development, Testing and Deployment	£250,000	£250,000	+/- 50%	+/- 50%
<b>BSC Audit Cost</b>	Planning and Development	£15,000	£15,000	+/- 50%	+/- 50%
<b>Implementation Cost</b>	External Programme Audit	£0	£0	Nil	Nil
	Design Clarifications <sup>1</sup>	£28,923	£14,294	+/- 100%	+/- 100%
	Additional Resource Costs	£0	£0	Nil	Nil
	Additional Testing/Audit Support Costs	£20,000	£20,000	+/- 50%	+/- 50%
<b>Total Demand Led Implementation Cost</b>		<b>£642,392</b>	<b>£335,170</b>	<b>+/- 50%</b>	<b>+/- 50%</b>
<b>ELEXON Implementation Resource Cost</b>		780 man days £171,600	600 man days £132,000	+/- 5%	+/- 5%
<b>Total Implementation Cost</b>		<b>£813,992</b>	<b>£467,170</b>	<b>+/- 22%</b>	<b>+/- 35%</b>

<sup>1</sup> Based on 5% of combined Logica/TLFA/LFMR development costs.

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## b) Operational Costs (Per BSC Year)

The operational costs for Proposed Modification P200 would be identical to those for Proposed Modification P198, since the calculation and registration of F-factors would be a one-off exercise undertaken prior to the Implementation Date and is therefore covered by the implementation costs shown in a) above.

	<b>P198/P200 Cost</b>	<b>Tolerance</b>
Logica CSA Operation Cost Per BSC Year	£2,645	Nil
Logica CSA Maintenance Cost Per BSC Year	£0	Nil
TLFA/LFMR Operational Cost Per BSC Year	£100,000	+/- 50%
BSC Auditor Cost Per BSC Year	£40,000	+/- 50%
ELEXON Operational Cost Per BSC Year	70 man days £15,400	+/- 5%
<b>Total Operational Cost Per BSC Year</b>	<b>£158,045</b>	<b>+/- 45%</b>

## Implementation Lead Time

The implementation lead time for the zonal TLFs element of Proposed Modification P200 would be identical to that for Proposed Modification P198. Since the additional BSC Agent, ELEXON and Party implementation effort for the transitional hedging scheme element of Proposed Modification P200 can be paralleled with the TLFA procurement and development, the 12-month implementation lead time for Proposed Modification P198 would therefore also be achievable for Proposed Modification P200 as shown below. Please note that the exact BSC Agent lead time for Proposed Modification P200 is still being clarified, but would be no more than 8 months.

12 Month Lead Time

