

MODIFICATION REPORT for Modification Proposal P185**Redrafting of BSC Sections U and W in relation to clauses pertaining to the processing and rectification of Trading Queries/Disputes**

Prepared by: ELEXON on behalf of the Disputes Processing Modification Group (the 'Group')

Date of issue:	12/05/05	Document reference:	P185MR
Reason for issue:	For Authority Decision	Issue/Version number:	Final/1.0

This document has been distributed in accordance with Section F2.1.10¹ of the Balancing and Settlement Code.

RECOMMENDATIONS

Having considered and taken into account the contents of the P185 draft Modification Report, the Balancing and Settlement Code Panel recommends:

- **that Proposed Modification P185 should be made;**
- **the P185 Implementation Date of 2 November 2005 if an Authority decision is received on or before 2 August 2005, or 22 February 2006 if the Authority decision is received after 2 August 2005 but on or before 25 October 2005; and**
- **the proposed text for modifying the Code, as set out in the Modification Report.**

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¹ The current version of the Balancing and Settlement Code (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

The following parties/documents are potentially impacted by Modification Proposal P185.

Parties	Sections of the BSC	Code Subsidiary Documents
Suppliers <input checked="" type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input checked="" type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Licence Exemptable Generators <input checked="" type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input type="checkbox"/>
Transmission Company <input checked="" type="checkbox"/>	D <input type="checkbox"/>	Service Lines <input type="checkbox"/>
Interconnector <input checked="" type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input type="checkbox"/>
Distribution System Operators <input checked="" type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
Non-Physical Traders <input checked="" type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
Party Agents		
Data Aggregators <input type="checkbox"/>	H <input type="checkbox"/>	MIDS <input type="checkbox"/>
Data Collectors <input type="checkbox"/>	I <input type="checkbox"/>	Core Industry Documents
Meter Operator Agents <input type="checkbox"/>	J <input type="checkbox"/>	Grid Code <input type="checkbox"/>
ECVNA <input type="checkbox"/>	K <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
MVRNA <input type="checkbox"/>	L <input type="checkbox"/>	Ancillary Services Agreements <input type="checkbox"/>
BSC Agents		
SAA <input type="checkbox"/>	M <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
FAA <input type="checkbox"/>	N <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	O <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
ECVAA <input type="checkbox"/>	P <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
CDCA <input type="checkbox"/>	Q <input type="checkbox"/>	Settlement Agreement for Scotland <input type="checkbox"/>
TAA <input type="checkbox"/>	R <input type="checkbox"/>	Distribution Codes <input type="checkbox"/>
CRA <input type="checkbox"/>	S <input type="checkbox"/>	Distribution Use of System Agreements <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	T <input type="checkbox"/>	Distribution Connection Agreements <input type="checkbox"/>
SVAA <input type="checkbox"/>	U <input checked="" type="checkbox"/>	BSCCo
BSC Auditor <input type="checkbox"/>	V <input type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
Profile Administrator <input type="checkbox"/>	W <input checked="" type="checkbox"/>	Other Documents
Certification Agent <input type="checkbox"/>	X <input type="checkbox"/>	Transmission Licence <input type="checkbox"/>
MIDP <input type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
Other Agents		
SMRA <input type="checkbox"/>		
Data Transmission Provider <input type="checkbox"/>		

X = Identified in Report for last Procedure
N = Newly identified in this Report

1 DESCRIPTION OF PROPOSED MODIFICATION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

1.1 Modification Proposal

Modification Proposal P185 'Redrafting of BSC Sections U and W in relation to clauses pertaining to the processing and rectification of Trading Queries/Disputes' ('P185') (Reference 1) was raised on 14 January 2005 by the BSC Panel (the 'Panel'), on the recommendation of the Trading Disputes Committee (TDC) (Reference 2). The issue was originally highlighted at the December meeting of the TDC.

The P185 Initial Written Assessment (IWA) (Reference 3) was presented to the Panel on 10 February 2005; the Panel determined that the proposal should be submitted to a two-month Assessment Procedure conducted by the Disputes Processing Modification Group (the 'Group'). The Panel agreed that this Group should comprise members of existing Standing Modification Groups and the TDC. It was also agreed that P185 be progressed in parallel with Modification Proposal P184 'Clarification of BSC Section W in relation to application of the Query Deadline to Trading Queries/Disputes' (Reference 4).

The Group convened for the first time on 21 February 2005 to discuss the issues raised by the proposal. An industry consultation was issued on 8 March 2005; the responses were discussed at the second meeting of the Group on 23 March 2005. Also discussed at this meeting were the responses to the impact assessments issued to BSC Agents, BSC Parties, the Transmission Company and the BSCCo. The P185 Assessment Report (annex 3 to this document) was considered by the Panel at its meeting on 14 April 2005. At the meeting, the Panel supported the recommendations of the Group and submitted P185 to the Report Phase with a recommendation to the Authority that Proposed Modification P185 should be made. The Panel agreed that a draft Modification Report based on its provisional views should be issued for industry consultation. This report was considered by the Panel at its meeting on 12 May 2005. At the meeting, the Panel supported the recommendations of the Group and confirmed the recommendation that Proposed Modification P185 should be made.

1.2 Proposed Modification

P185 seeks to redraft areas of Sections U and W of the Code in order to remedy perceived deficiencies and improve conciseness. Such redrafting is recommended by the TDC, in accordance with legal advice provided to that Committee.

The following specific areas were identified by the TDC as requiring redrafting:

- Extra-Settlement Determinations (ESDs) may be performed between Settlement Runs in order to correct previous settlement errors. Section U of the Code requires an ESD to be 'unwound' at the next Settlement Run, but does not explicitly state that the settlement error should then be corrected in the next Settlement Run via the normal Settlement process. Rather, this correction is implicitly assumed. The TDC believes that it should be clarified that the ESD shall be 'unwound' and the settlement error shall be corrected at the next Settlement Run;
- Section W of the Code states what the TDC may do following the resolution of a Trading Dispute. Some of these options are prefixed with the words "may determine", when in actual fact they should be prefixed with "shall determine", given that there are no other options. The opposite scenario also exists within the clauses in question. The TDC believes that this wording should be amended to reflect actual practice, and also that the relevant clauses should be collapsed into one clause; and

- Section W of the Code outlines how the TDC arrives at decisions in respect of Trading Queries and Trading Disputes. The TDC believes that the relevant wording should be collapsed into fewer clauses.

It was envisaged in the Modification Proposal that further exploration of these matters under the Modification Procedures may lead to consequential changes to other areas of the Code and/or of Balancing and Settlement Code Procedure (BSCP) 11 'Trading Queries and Trading Disputes'.

It is the view of the Proposer that P185 would remedy deficiencies in, and improve the conciseness of, the drafting of the Code. As such, the Proposer believes that P185 would better facilitate the achievement of Applicable BSC Objective:

(d) "Promoting efficiency in the implementation and administration of the balancing and settlement arrangements".

1.3 Issues Raised by the Proposed Modification

The following issues were considered during the assessment of Proposed Modification P185:

- ESD and Initial Settlement Error Correction;
- Options Following Resolution of a Trading Dispute; and
- Decision-Making Process of the TDC.

These issues are discussed in the Assessment Report (annex 3 to this document) and are not covered further here.

1.4 Assessment of how the Proposed Modification will Better Facilitate the Applicable BSC Objectives

The Group has unanimously concluded that:

- The Code is not clear on processes which need to be followed with regard to an ESD being performed between Settlement Runs;
- The Code is not as concise as it could be with regard to describing the options available to the TDC following the resolution of a Trading Dispute; and
- The changes proposed to clauses pertaining to the decision-making process of the TDC should be taken forward under P184 in order to minimise the interaction between the Modification Proposals.

It is the unanimous view of the Group that P185 would better facilitate the achievement of Applicable BSC Objective (d):

(d) "Promoting efficiency in the implementation and administration of the balancing and settlement arrangements;"

It is the unanimous view of the Group that P185 would:

By clarifying the Code with regard to the processes following an ESD being performed between Settlement Runs, and making concise the options available to the TDC following resolution of a Trading Dispute, better facilitate the achievement of Applicable BSC Objective (d).

It is the unanimous view of the Group that P185 has no impact on the achievement of any of the other Applicable BSC Objectives.

1.5 Alternative Modification

No Alternative Modification was identified by the Group.

1.6 Governance and Regulatory Framework Assessment

During the assessment of the Proposed Modification, the Group considered the wider implications of P185 in the context of the statutory, regulatory and contractual framework within which the Code sits, as required by the Code (Annex F-1, Paragraph 1 (g)). No impact was noted.

2 COSTS²

PROGRESSING MODIFICATION PROPOSAL	
Meeting Cost	£ 500
Legal/expert Cost	£ 2,500
Impact Assessment Cost	£ 1,500
ELEXON Resource	35 Man days £ 6,780

IMPLEMENTATION COSTS				
		Stand Alone Cost	P185 Incremental Cost	Tolerance
Total Demand Led Implementation Cost		£ 0	£ 0	N/A
ELEXON Implementation Resource Cost		90.5 Man days £ 19,910	31.5 Man days £ 6,930	+/- 5%
Total Implementation Cost ³		£ 19,910	£ 6,930	+/- 5%

ONGOING SUPPORT AND MAINTENANCE COSTS				
		Stand Alone Cost	P185 Incremental Cost	Tolerance
Service Provider Operation Cost		£ 0	£ 0	N/A
Service Provider Maintenance Cost		£ 0	£ 0	N/A
ELEXON Operational Cost		£ 0	£ 0	N/A
Total		£ 0	£ 0	N/A

² Clarification of the meanings of the cost terms in this section can be found in annex 4 of this document.

³ Implementation costs may be reduced due to parallel implementation with P184.

3 RATIONALE FOR PANEL'S RECOMMENDATIONS

The Panel Members unanimously supported the view of the Group that Proposed Modification P185 would clarify, and remove ambiguities from, Sections U and W of the Code. As such, Proposed Modification P185 would better facilitate achievement of Applicable BSC Objective (d) and should be made.

One Panel Member queried why all the changes to Sections U and W of the Code had been raised under two Modification Proposals in the first place, when a change was moved from P185 to P184. It was noted that two Modification Proposals were raised to avoid the inherent danger of one failed element rendering void an entire Modification Proposal.

The Panel supported the proposed Implementation Dates recommended by the Group. Therefore, the Panel agreed that the recommended Implementation Date for Proposed Modification P185 should be:

- 2 November 2005, should the Authority determination be received on or before 2 August 2005; or
- 22 February 2006, should an Authority determination be received after this date, but on or before 25 October 2005.

4 IMPACT ON BSC SYSTEMS AND PARTIES

4.1 BSCCo

4.1.1 Operational

The ELEXON Disputes Team would be required to support the implementation of changes to the Disputes Referral processes. There would be no significant operational impacts.

4.1.2 Implementation

The ELEXON CVA Programme would be required to implement the required changes to BSCP11. The Disputes, Change Planning and Corporate Assurance teams would be required to support the implementation and review of the changes.

4.2 BSC Systems

No impact was noted, as highlighted in annex 3 of this document.

4.3 Parties and Party Agents

The processes to be followed when raising and following through a Trading Query/Trading Dispute would be made clearer to Parties.

5 IMPACT ON CODE AND DOCUMENTATION

5.1 Balancing and Settlement Code

The legal text may be found in annex 1 of this document.

The following amendments would be made to:

Section U 'Provisions Relating to Settlement' to:

- Clarify that the settlement error is to be corrected as well as "unwinding" the ESD at the next Settlement Run, in the event of an ESD being prescribed between Settlement Runs; and

Section W 'Trading Queries and Trading Disputes' to:

- Amend the relevant clauses to reflect actual working practice following the resolution of Trading Disputes. These paragraphs should also be collapsed for conciseness.

5.2 Code Subsidiary Documents

The following amendments should be made to BSCP11 'Trading Queries and Trading Disputes':

- Sections 4.6 and 5.6 may require amendment to state that the settlement error should be corrected as well as the ESD being 'unwound' at the next Settlement Run, where that ESD was performed between Settlement Runs. These sections should also be amended to say that these corrections be performed at the next "Settlement Run" rather than the "Final Reconciliation Run", as an ESD may be performed between the Final Reconciliation Run and a Post Final Settlement Run.

5.3 Impact on Core Industry Documents and Supporting Arrangements

No impact was noted.

6 SUMMARY OF CONSULTATIONS

An industry consultation on the draft Modification Report was issued on 19 April 2005. There were six respondents, representing 37 Parties in total.

Consultation question	Respondent agrees	Respondent disagrees	Opinion unexpressed
Do you agree with the Panel's views on P185 and the provisional recommendation to the Authority contained in the draft Modification Report that P185 should be made?	6 (37 Parties)	0	0
Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?	6 (37 Parties)	0	0
Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P185?	6 (37 Parties)	0	0

6.1 Panel's Provisional Recommendation

The respondents unanimously supported the Panel's provisional recommendation that P185 should be made. These respondents were of the opinion that implementation of P185 would better facilitate the achievement of Applicable BSC Objective (d) by clarifying, and removing ambiguities from, the Code.

6.2 Draft Legal Text

The respondents unanimously supported the Panel's view that the draft legal text would correctly address the issue identified by P185. One respondent questioned the need to amend the wording of U2.2.3 (i) in the Code to refer to the relevant Settlement Run being the **first** one where the settlement error was corrected. This respondent held the view that the relevant Settlement Run will always be the

first Settlement Run where the error was corrected, since it cannot be corrected twice. The legal advice given was that since a settlement error may be described as having been corrected in every Settlement Run subsequent to its correction, it was necessary to explicitly state that the first Settlement Run in which the error was actually corrected is the relevant one. As such, no changes to the legal text have been proposed. This legal advice was discussed with the respondent. The respondent still held the view that this clause could be open to misinterpretation, but did not wish to pursue this issue further.

6.3 Recommended Implementation Date

The respondents unanimously supported the recommended Implementation Date of 2 November 2005, with a fallback of 22 February 2006. One respondent noted that the November date would be the preferred option, in order to remove ambiguities from the Code as soon as possible.

6.4 Comments and Views of the Panel

The Panel noted the contents of the Report Phase consultation responses at its meeting held on 12 May 2005. The Panel noted the comments of one respondent regarding the legal text, and noted BSCCo's legal view that no change to the text was required. The Panel unanimously agreed that no changes were required to the legal text as a result of the Report Phase consultation.

7 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

7.1 Analysis

Please refer to annex 3 of this document for the analysis in full.

The Transmission Company considered there to be no impact on its ability to discharge its obligations efficiently under the Transmission Licence or on its ability to operate an efficient, economical and co-ordinated Transmission System due to P185. Also, there were considered to be no issues relating to security of supply or consequential changes to Core Industry Documents. No costs were estimated to be incurred due to P185 with no impact on the computer systems and processes of the Transmission Company.

The Transmission Company believed that P185 would better facilitate the achievement of Applicable BSC Objective (d) by providing clarification to, and removing ambiguities from, the Code.

7.2 Comments and Views of the Panel

No comments were made by the Panel regarding the Transmission Company analysis.

8 IMPLEMENTATION APPROACH

If approved, P185 would be implemented on the following basis:

- All Trading Queries raised prior to the P185 Implementation Date will be processed in accordance with the existing versions of BSC Section W and BSCP11; and
- All Trading Queries raised on or after the P185 Implementation Date will be processed in accordance with the new versions of BSC Section W and BSCP11.

It is recommended that P185 be implemented in parallel with Proposed Modification P184, if approved.

9 DOCUMENT CONTROL

9.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	15/04/05	Change Delivery	Tom Bowcutt	Peer Review
0.2	18/04/05	Change Delivery	Sarah Parsons	Technical Review
0.3	19/04/05	Change Delivery		For Consultation
0.4	04/05/05	Change Delivery	Sarah Parsons	Technical Review
0.5	05/05/05	Change Delivery	Alex Grieve	Quality Review
0.6	06/05/05	Change Delivery	Panel	For Issue
0.7	12/05/05	Change Delivery	Sarah Parsons	Technical Review
1.0	13/05/05	Change Delivery	Authority	For Authority Decision

9.2 References

Ref	Document	Owner	Issue date	Version
1	Modification Proposal P185 'Redrafting of BSC Sections U and W in relation to clauses pertaining to processing and rectification of Trading Queries/Disputes' http://www.elexon.co.uk/documents/modifications/185/P185.pdf	BSCCo	14/01/05	1.0
2	Recommendation to Raise a Modification Proposal: Proposed Modifications to BSC Sections W and U – TDC Recommendation (88/012) http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2005_-_088_-_Papers/88_012.pdf	BSCCO	13/01/05	1.0
3	P185 Initial Written Assessment http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2005_-_089_-_Papers/89_008a.pdf	BSCCo	03/02/05	1.0
4	Modification Proposal P184 'Clarification of BSC Section W in relation to the application of the Query Deadline to Trading Queries/Disputes' http://www.elexon.co.uk/documents/modifications/184/P184.pdf	BSCCo	14/01/05	1.0

ANNEX 1 LEGAL TEXT

Attachment 1 contains the legal text for Proposed Modification P185.

ANNEX 2 MODIFICATION GROUP DETAILS

NAME	POSITION	MEMBER	MEETING ATTENDANCE	
			21/02/2005	23/03/2005
Thomas Bowcutt (Chairman)	BSCCo	Y	Y	Y
Andrew Colley	Scottish and Southern	Y	Y	N
Stephanie Gent	EDF Energy	Y	Y	N
Shelley Lister	Npower	Y	Y	Y
Steve Mackay	Ofgem	N	Y	Y
Naomi Maguire	BSCCo	N	Y	N
Mark Manley	British Gas	Y	Y	Y
Victoria Moxham	BSCCo	N	Y	Y
Tim Roberts	Scottish Power	Y	Y	Y
Paul Robinson	National Grid	Y	Y	N
Mark Thomas	RWE Trading	Y	Y	Y
David Ahmad (Lawyer)	BSCCo	N	Y	Y
David White (Lead Analyst)	BSCCo	Y	Y	Y

The specific Terms of Reference agreed by the Panel were to consider:

- ESD and Initial Settlement Error Correction; and
- Options Following Resolution of a Trading Dispute.

ANNEX 3 ASSESSMENT REPORT

Attachment 2 contains the Assessment Report for P185 while Attachment 3 contains the responses to the Assessment Consultation associated with this Assessment Report.

ANNEX 4 CLARIFICATION OF COSTS

There are several different types of costs relating to the implementation of Modification Proposals. ELEXON implements the majority of Approved Modifications under its CVA or SVA Release Programmes. These Programmes incur a base overhead which is broadly stable whatever the content of the Release. On top of this each Approved Modification incurs an incremental implementation cost. The table of

estimated costs of implementing the Proposed/Alternative Modification given in section 2 of this report has three columns:

- **Stand Alone Cost** – the cost of delivering the Modification as a stand alone project outside of a CVA or SVA Release, or the cost of a CVA or SVA Release with no other changes included in the Release scope. This is the estimated maximum cost that could be attributed to any one Modification implementation.
- **Incremental Cost** - the cost of adding that Modification Proposal to the scope of an existing release. This cost would also represent the potential saving if the Modification Proposal was to be removed from the scope of a release before development had started.
- **Tolerance** – the predicted limits of how certain the cost estimates included in the template are. The tolerance will be dependent on the complexity and certainty of the solution and the time allowed for the provision of an impact assessment by the Service Provider(s).

The cost breakdowns are shown below:

PROGRESSING MODIFICATION PROPOSAL	
Meeting Cost	This is the cost associated with holding Modification Group meetings and is based on an estimate of the travel expenses claimed by Modification Group members.
Legal/expert Cost	This is the cost associated with obtaining external expert advice, usually legal advice.
Impact Assessment Cost	Service Provider Impact Assessments are covered by a pre-determined monthly contractual charge. Therefore the cost included in this report is an estimate based on the level of impact assessment that the modification is expected to require and may not reflect the actual cost attributed to the modification, which will be based on a percentage of the contractual impact assessment costs for each month that it is assessed.
ELEXON Resource	This is the ELEXON Resource requirement to progress the Modification Proposal through the Modification Procedures. This is estimated using a standard formula based on the length of the Modification Procedure.

TOTAL DEMAND LED IMPLEMENTATION COSTS
This is calculated as the sum of the total Service Provider(s) Cost and the total Implementation Cost. The tolerance associated with the Total Demand Led Implementation Cost is calculated as the weighted average of the individual Service Provider(s) Costs and Implementation Costs tolerances. This tolerance will be rounded to the nearest 5%.

ELEXON IMPLEMENTATION RESOURCE COSTS

Cost quoted in man days multiplied by project average daily rate, which represents the resources utilised by ELEXON in supporting the implementation of the release. This cost is typically funded from the "ELEXON Operational" budget using existing staff, but there may be instances where the total resources required to deliver a release exceeds the level of available ELEXON resources, in which case additional Demand Led Resources will be required.

The ELEXON Implementation Resource Cost will typically have a tolerance of +/- 5% associated with it.

ONGOING SUPPORT AND MAINTENANCE COSTS

ELEXON Operational Cost	Cost, in man days per annum multiplied by project average daily rate, of operating the revised systems and processes post implementation.
Service Provider Operation Cost	Cost in £ per annum payable to the Service Provider(s) to cover staffing requirements, software or hardware licensing fees, communications charges or any hardware storage fees associated with the ongoing operation of the revised systems and processes.
Service Provider Maintenance Cost	Cost quoted in £ per annum payable to the Service Provider(s) to cover the maintenance of the amended BSC Systems. Note that from 1 January 2005, Service Provider Maintenance costs will be covered by a fixed contractual charge and so any Modification Proposals implemented after this date will not incur an ongoing Service Provider Maintenance cost.

ANNEX 5 CONSULTATION REPONSES

Attachment 4 contains the responses to the draft Modification Report consultation.