

MODIFICATION REPORT for Modification Proposal P182

Review and redefinition of the Non Half Hourly Settlement performance measures

Prepared by: P182 Modification Group

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RECOMMENDATIONS

Having considered and taken into due account the contents of draft P182 Modification Report, the Balancing and Settlement Code Panel recommends:

- **The Proposed Modification P182 should not be made;**
- **The Alternative Modification P182 should not be made;**
- **The P182 Implementation Date of the first day of the first Calendar month that commences at least 20 Working Days following an Authority decision; and**
- **The proposed text for modifying the Code, as set out in the draft 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 have been identified as being potentially impacted by Modification Proposal P182.

| 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 type="checkbox"/> | C <input type="checkbox"/> | BSC Service Descriptions <input type="checkbox"/> |
| Transmission Company <input type="checkbox"/> | D <input type="checkbox"/> | Service Lines <input type="checkbox"/> |
| Interconnector <input 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 type="checkbox"/> | G <input type="checkbox"/> | Reporting Catalogue <input type="checkbox"/> |
| Party Agents | | |
| | H <input type="checkbox"/> | MIDS <input type="checkbox"/> |
| Data Aggregators <input type="checkbox"/> | I <input type="checkbox"/> | Core Industry Documents |
| Data Collectors <input type="checkbox"/> | J <input type="checkbox"/> | Grid Code <input type="checkbox"/> |
| Meter Operator Agents <input type="checkbox"/> | K <input type="checkbox"/> | Supplemental Agreements <input type="checkbox"/> |
| ECVNA <input type="checkbox"/> | L <input type="checkbox"/> | Ancillary Services Agreements <input type="checkbox"/> |
| MVRNA <input type="checkbox"/> | M <input type="checkbox"/> | Master Registration Agreement <input type="checkbox"/> |
| BSC Agents | | |
| SAA <input type="checkbox"/> | N <input type="checkbox"/> | Data Transfer Services Agreement <input type="checkbox"/> |
| FAA <input type="checkbox"/> | O <input type="checkbox"/> | British Grid Systems Agreement <input type="checkbox"/> |
| BMRA <input type="checkbox"/> | P <input type="checkbox"/> | Use of Interconnector Agreement <input type="checkbox"/> |
| ECVAA <input type="checkbox"/> | Q <input type="checkbox"/> | Settlement Agreement for Scotland <input type="checkbox"/> |
| CDCA <input type="checkbox"/> | R <input type="checkbox"/> | Distribution Codes <input type="checkbox"/> |
| TAA <input type="checkbox"/> | S <input checked="" type="checkbox"/> | Distribution Use of System Agreements <input type="checkbox"/> |
| CRA <input type="checkbox"/> | T <input type="checkbox"/> | Distribution Connection Agreements <input type="checkbox"/> |
| Teleswitch Agent <input type="checkbox"/> | U <input type="checkbox"/> | BSCCo |
| SVAA <input type="checkbox"/> | V <input type="checkbox"/> | Internal Working Procedures <input type="checkbox"/> |
| BSC Auditor <input type="checkbox"/> | W <input type="checkbox"/> | PARMS ² <input checked="" type="checkbox"/> |
| Profile Administrator <input type="checkbox"/> | X <input type="checkbox"/> | Other Documents |
| Certification Agent <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

² BSCCo contracted system PARMS will be impacted

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

1.1 Modification Proposal

Modification Proposal P182 'Review and redefinition of the Non Half Hourly Settlement performance measures' (P182) (Reference 2) was raised on 29 November 2004 by Centrica, E.ON UK and Scottish Power following two meetings of the Volume Allocation Standing Modification Group (VASMG) under Issue 11 'Performance Targets and Monitoring'. P182 proposed to re-examine the 97% performance measure and consider new performance measures such that equitable and adequately accurate energy allocation between Suppliers is achieved. Additionally P182 aimed to consider the Statement of Significant Matters (SSM) in the BSC Auditor's Report and whether any Modification to the Balancing and Settlement Code (Code) could assist in the resolution of these issues.

The current Settlement performance measure of 97% was introduced as part of the 1998 trading arrangements and was intended to support the delivery of equitable Settlement. Each Supplier is currently charged with ensuring that at the Final Reconciliation Run (RF) the percentage of the total energy (in respect of Non Half Hourly (NHH) Metering Systems) settled on the basis of Annualised Advances (AA) shall be no less than 97%.

The Modification Proposal expressed a lack of confidence in the overall appropriateness of this measure and questions whether it still achieves what it was intended for – the fair and equitable allocation of energy.

The Modification Proposal therefore identified and aimed to address a perceived defect in the Code. This is that under the Code as it stands inaccurate data is entering Settlement, whilst the performance measures that are in use focus on areas where accuracy may *not* be a concern. These together compromise the equitability of Settlement and impose unnecessary costs on Suppliers.

The defects with the current performance measure of 97% were stated as being:

- It does not ensure that the allocation of energy between Suppliers is equitably delivered; and
- It has no scientific basis.

Failure of the performance measure was attributed to the following:

- Current market conditions are different to those that existed in 1998;
- No evidence can be identified that states the appropriateness of the current measure of 97%; and
- The small aggregate volume movement between Estimated Annual Consumptions (EACs) and AAs through the Reconciliation Runs supports the assertion that EACs that are refreshed in a timely manner are thought to be reasonably accurate within the NHH market³.

The Modification Proposal further stated that a key aspect of Settlement performance should be to ensure that Suppliers have appropriate incentives to improve data quality. It contended that the focus of such performance measures should be on remedying material non-compliances adversely affecting other Suppliers. They should only address areas where Suppliers do not have a natural financial incentive to rectify their own position.

P182 proposed two areas should be addressed in establishing a solution:

³ The BSC Review 2004 (reference 1) further substantiates this view.

(a) The 97% performance measure

This would involve consideration as to whether the current measure of 97% is necessary to achieve equitable and adequately accurate energy allocation between Suppliers. This could involve:

- A change from the 97% measure, to the market average for each GSP Group, with a minimum standard applied in all GSP Groups;
- Adoption of a different measure to better reflect the accuracy of Settlement;
- A change to the methodology associated with deriving the EAC and AA values, in that it was suggested that both the AA performance measures *and* the accuracy of the residual EACs should be reviewed.

It should be noted that both EACs and AAs are estimated values, where AAs are based on the correct volume take derived from actual Meter readings, but are generated through application of profiles.

(b) The process for resolving material market issues.

This would involve consideration of the Statement of Significant Matters outlined in the 2004 BSC Audit report which have a material effect on the quality of data entering Settlement and hence the accuracy of energy allocation. These issues (e.g. Energisation Status mismatches and Unmetered Supply errors) contributed toward the qualification of the BSC Audit. It was noted that the issues are being actioned and this activity is being reported to the Panel. The Group planned to consider the way SSMS are managed with the aim of determining a common high level approach to the treatment of all SSMS. It was noted that this aspect of P182 may not require a Code Modification and hence may not form part of P182 after the Definition Procedure.

It was suggested that criteria against which any solution should be judged should include the following:

- Provision of an equitable solution;
- Increase in the accuracy of data entering Settlement;
- Facilitation of competition in the generation and supply of electricity (Applicable BSC Objective (c));
- Creation of natural incentives on Suppliers to settle on more accurate energy volumes;
- Be a self-policing incentive; and
- Increase the accuracy of Customer billing.

The Proposers considered that P182 would better facilitate the achievement of Applicable BSC Objectives (c) and (d).

Process Followed

An Initial Written Assessment (IWA) (Reference 3) was presented to the Panel at its meeting on 9 December 2004. The Panel submitted P182 to a 2 month Definition Procedure since P182 did not contain sufficient detail for the Code changes to be drafted in plain English.

An Interim Report was presented to the Panel at its meeting on the 11 January 2005 to update the Panel on the progress of P182 and to request an extension of one month to the Definition Procedure in order to perform extra analysis utilising data that was not readily available.

The Group met three times during the Definition Procedure to discuss P182, on 15 December 2004, 17 January 2005 and 18 February 2005. The Group also issued one consultation document to industry on 1 February 2005 (Reference 4).

The Definition Report (Reference 5) was presented to the Panel at its meeting on 10 March 2005. At this stage the Group had agreed to remove the audit issue from the Proposed Modification as it was not considered to require a Code modification. The Panel agreed that P182 progress to the Assessment Procedure with an Assessment Report being presented to the June Panel.

The P182 Modification Group met five times during the Assessment Procedure, on 17 March, 4 and 31 May, 13 June and 5 July 2005.

The Group presented an interim report to the Panel on 12 May 2005 noting the proposed treatment for Profile Classes, the proposed methodology for calculating a Standard, the intention to benchmark any such Standard, and the removal of the age of EACs from the scope of the Modification Proposal. The Group asserted that a new measure should be no worse than the current industry average.

A Panel Member queried whether there were any provisions for revising the Standards, once agreed. ELEXON explained that the preference of the Group was that the Standard should be specified in the Code and thus changed through a Modification Proposal rather than by a Panel review. This would remove any potential uncertainty created by a continuous review process. It also reflected the views of Suppliers who believed that they were best placed to decide at what performance level Settlement was equitable and adequately accurate. The Panel noted that the Standard could therefore be increased or decreased only via a Modification Proposal.

A Panel Member stated that although it is useful that the issue of the age of EACs had been removed from the scope since a narrow modification is easier to assess, this issue should actively be pursued in another forum. The Panel Member also queried whether the decision on P157 would have an impact on P182. ELEXON confirmed that the intention of the Group was to keep the current Supplier incentives and therefore there would be no impact.

A Panel Member queried the intended benchmarking process. ELEXON explained that the Group was interested in average performance and its distribution across Profile Class groups. A Panel Member commented that the distribution was also important.

A Panel Member expressed disquiet about some Meters being infrequently read. ELEXON noted the work that was being undertaken on the issues in other contexts, e.g. Issue 14, which might provide some answers. ELEXON also noted the concern of PAB about the age of EACs, particularly more material ones, although the relationship to the inaccuracy of data had not been proven by the analysis carried out by the Group.

The Group issued an initial Assessment consultation to industry on 16 May 2005.

The Group presented a further interim report to the Panel on 9 June 2005 requesting a one month extension to the Assessment Procedure in order to ascertain costs and consult industry about a potential Alternative Modification. The Group issued the second Assessment consultation to industry on 16 June 2005. In light of the consultation responses and the Impact Assessments, the Group defined the Proposed and Alternative Modifications.

The Group presented the Assessment Report to the Panel on 14 July 2005. The Panel considered the Assessment Report and the recommendations of the Group. Comments made by the Panel are included in Section 3. The Panel recommended that P182 progress to the Report Phase with a Panel recommendation to reject the Proposed and Alternative Modifications. A Modification Report would be presented at the August Panel meeting.

The P182 draft Modification Report was issued for industry consultation on 20 July 2005, with responses requested by 3 August 2005. A summary of the responses received can be found in Section 6, with full copies of these responses attached as Annex 5.

The Panel considered the P182 draft Modification Report and these consultation responses at its meeting on 11 August 2005. The Panel agreed the contents of the draft Modification Report and unanimously agreed the Proposed Modification should not be made. The majority also agreed that the Alternative Modification should not be made.

1.2 Proposed Modification

P182 proposes to revise the performance measure (Serial SP08a) that requires each Supplier to ensure that at RF the percentage of the total NHH energy settled on the basis of AAs shall be no less than 97%.

The new RF target for the Serial shall be 95.5%. The revised performance measure would have the following characteristics:

- The RF Standard would be 95.5%;
- The Standards at the other Reconciliation Runs would be the same as they are currently;
- Performance would continue to be measured based on volume of energy;
- Supplier Charges would continue to be applied to Suppliers who fail to meet the Third Reconciliation (R3) and RF Standards:
- The Performance Assurance Framework will not be amended, except consequentially.

The Implementation Date for the Proposed Modification is the first day of the first Calendar month that commences at least 20 Working Days following an Authority decision. It would be implemented on a Settlement Day basis. See Section 8 for an explanation of the impact of the different implementation approaches.

1.3 Alternative Modification

The Group decided to develop an Alternative Modification that would have a different implementation approach to the Proposed Modification. A majority of the Group considered that a Calendar Day implementation approach would better facilitate the achievement of the Applicable BSC Objectives (see section 1.6 below).

The Alternative Modification is therefore identical to the Proposed Modification although, if approved, it would be implemented on a Calendar Day basis. See Section 8 for an explanation of the impact of the different implementation approaches.

1.4 Issues Raised by the Proposed and Alternative Modifications

The following issues were considered during the assessment of Proposed and Alternative Modifications P182:

The following issues were raised by both the Proposed and Alternative Modifications:

- 97% and its rationale
- Basing a measure on acceptable accuracy or achievability
- Data provision
- Percentage of AA Performance Measure
 - Profile Class groupings – initial thoughts
 - Method of setting a Standard

- Benchmarking
- Profile Class groupings – final thoughts
- Performance measured by volume or number
- Settlement Runs
- Incentives applied
- Effect on Licensed Distribution System Operators (LDSOs) and small Suppliers
- Implementation Dates
- Date of last Meter reading
- Applicable BSC Objectives

These issues are discussed in the Assessment Report and are not covered further here.

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

The Group was split as to whether P182 better facilitated the Applicable BSC Objectives. However, of the voting members present, a marginal majority considered that P182 better facilitated the achievement of Applicable BSC Objectives (c) and (d).

The following positive impacts on (c) and (d) have been cited:

- Complying with the current stringent target of 97% of actual energy on NHH sites at RF causes Suppliers to incur a significant increase in costs to deliver a measure which has not been achieved and which has no robust rationale behind it - there is no evidence to suggest that this results in more accurate allocation of energy between Suppliers – this increase in costs reduces competition and will be a barrier to entry;
- The revised RF target of 95.5% is equitable between Suppliers;
- The current performance target of 97% is incurring significant industry costs, in an environment where the incremental accuracy and equitability of Settlement is not proved as being compromised at a level below this threshold – P182 will result in equitable and adequately accurate Settlement;
- P182 will reduce the number of Suppliers that PAB have to escalate for not reaching the performance Standard. This will both reduce the workload on PAB allowing it to concentrate on the worst performers and improve the credibility of both PAB and the industry; and
- P182 will decrease BSCCo costs in enforcing stringent targets.

The following negative impacts on (c) and (d) have been identified:

- P182 without the initially wanted Profile Class group split will not improve data quality;
- 97% is not a barrier to entry as it is achievable and has been achieved by some Suppliers in some GSP Groups;
- P182 implies that the 97% target is concerned with equitability alone. However it is also concerned with data quality. P182, whilst being equitable does not improve data quality and hence does not increase competition;
- P182 will not address LDSOs' concerns; and
- There will be no meaningful improvements in PAB processes.

1.6 Assessment of how the Alternative Modification will Better Facilitate the Applicable BSC Objectives

As the only difference between the Proposed and Alternative Modifications is the implementation approach, the arguments set out below focus on this aspect of the proposals. The views set out in section 1.5 above also apply to the Alternative Modification.

A majority of the Group supported a Calendar Day implementation since:

- The Standard is being reduced and no Suppliers are achieving the current Standard in all GSP Groups, therefore the Group considered that P182 would not overly disadvantage any Supplier. Current efforts (and hence investment) to achieve the new Standard would not need to be tightened; and
- A Settlement Day implementation would mean that the effects of P182 would only be seen after a 14 month delay and the Group considered that this was too long to wait.

A minority of the Group did not support a Calendar Day implementation since:

- It would change Parties' obligations relating to a Settlement Day in the past.

1.7 Governance and Regulatory Framework Assessment

During the assessment of the Proposed and Alternative Modification, the Group considered the wider implications of P182 in the context of the statutory, regulatory and contractual framework within which the Code sits, as is required by the Code (Annex F-1, paragraph 1(g)). The Group was of the opinion that, were P182 to be implemented, there would be no such wider implications.

2 COSTS⁴

PROGRESSING MODIFICATION PROPOSAL

| | |
|-------------------------------|-------------------------|
| Meeting Cost | £4,000 |
| Legal/expert Cost | £2,500 |
| Impact Assessment Cost | £10,000 |
| ELEXON Resource | 156 man days £39,800 |

⁴ Clarification of the meanings of the cost terms in this section can be found in annex 7 of this report

IMPLEMENTATION COSTS

| | | Stand Alone Cost | P182 Incremental Cost | Tolerance |
|---|--|-----------------------|-----------------------|-----------|
| Total Demand Led Implementation Cost | | £0 | £0 | +/- 0% |
| ELEXON Implementation Resource Cost | | 10 Man days £2,200 | 10 Man days £2,200 | +/- 10% |
| Total Implementation Cost | | £2,200 | £2,200 | +/- 10% |

ONGOING SUPPORT AND MAINTENANCE COSTS

| | | Stand Alone Cost | P182 Incremental Cost | Tolerance |
|-----------------------------------|--|------------------|-----------------------|-----------|
| Service Provider Operation Cost | | £0 per annum | £0 per annum | +/-0% |
| Service Provider Maintenance Cost | | £0 per annum | £0 per annum | +/-0% |
| ELEXON Operational Cost | | £0 per annum | £0 per annum | +/-0% |

3 RATIONALE FOR PANEL'S RECOMMENDATIONS

3.1 Process Followed

During the second Assessment consultation, concerns were raised about the procedure followed. These concerns related to the removal of the age of EAC issue from the Proposed Modification, and the subsequent decision not to rewind the process in order to re-consider the issue. Some members of the Group had considered that on reflection, looking at the final package, a measure relating to age of EAC should be included to 'balance' out the proposal.

The Panel considered the P182 process, recognising that as part of the Definition and Assessment Procedures the focus had been narrowed. The issue relating to the age of EACs had been part of the Proposed Modification after the Definition Procedure. This had then been removed by recommendation of the Group and subsequent ratification by consultation respondents and the Panel, the latter in its guise of being responsible for overseeing the Modification Procedures by way of Interim Reports presented to it. At a subsequent Modification Group meeting a minority of the Group had requested that the process be rewound as they were concerned that the full benefits of P182, in terms of data quality, would not be realised. The advice from the Modification Group Chairman not to wind back the Modification Procedure to consider the incorporation of age of EACs had been supported by a majority of Group members. The need to address the age of EACs further, either through a separate Issue or Modification Proposal, was recommended and broadly supported.

The Panel supported this approach and confirmed that they were happy with the process followed. One Panel member in particular noted that the judgment taken, not to rewind the process was apt. The issue of age of EACs, if important, could be raised as a Standing Issue or Modification Proposal in its own right. The only problem that might arise is if the current form of P182 and the age of EAC issue were intertwined. It was noted that there was some inter-relationship, but not a synergy between the two.

Ofgem commented that at present it did not consider there to be a procedural issue but that this would be looked at during its decision making process. The Ofgem representative also confirmed that they are open to discussing issues relating to the Code with industry members. However, comments made outside of Modification Group meetings should be seen as unofficial.

It was also noted that the final form of the Proposed and Alternative Modification was only developed at the final Modification Group meeting. It was noted however that the process intends for the experts on the Group to use their initiative, consider the consultation responses and consequently amend the Proposed Modification if appropriate. Also the final form of P182 would undergo full consultation during the Report Phase.

Therefore, the Panel unanimously agreed that the process followed had been robust and that P182 should progress to the Report Phase.

3.2 P182 Initial Recommendations

The Panel noted that Alternative Modification P182 had been recommended by a majority of the Group for approval. However, the Panel unanimously (apart from one abstention in relation to the Alternative) recommended that P182 Proposed and Alternative Modification be rejected since neither would better facilitate the Applicable BSC Objectives (c) and (d).

Reasons given were:

- The case for change has not been made. It is not certain that P182 will improve matters in the industry;
- From consultation responses and Group opinions, it appears that enough Suppliers are content with the status quo;
- Some Suppliers achieve 97%;
- The exclusion of the Profile Class split for cost reasons is understandable, however it does remove one of the main benefits initially envisaged for P182;
- Reducing the RF NHH SP08a target would not benefit the audit issues and other problems in Settlement;
- Reducing the RF target would be detrimental to consumers and this is especially relevant when the Ofgem response (reference 11) to the energywatch super complaint (reference 10) is considered;
- Reducing the RF target may save costs but would also reduce data quality – the cost versus quality argument has not been proven;
- The setting of this target cannot be wholly scientific so this new target is not necessarily more robust than the old;
- The costs may decrease for Suppliers as a result of P182 but this will not necessarily lead to a reduction for other parties (e.g. Customers / LDSOs); and
- Lowering the target sends the wrong message out to industry, at this stage.

One Panel member calculated that if a 0.4% uncertainty was inserted into the methodology, the result would be a 97% target. It was considered that this illustrated that expert, but necessarily subjective, choices by practitioners of allowable levels of uncertainty could be used to support targets in the range 95-97%. Hence 97% remains an appropriate target.

The Panel also unanimously stated its preference for the Alternative Modification when compared to the Proposed Modification, since it supports a Calendar Day implementation for the reasons given by the Group. Namely that a Settlement Day implementation would mean that the effects of P182 would only be seen after a 14 month delay and this is too long to wait.

The Panel unanimously agreed with the suggested Implementation Date of the first day of the first Calendar month that commences at least 20 Working Days following an Authority decision.

3.3 P182 Final Recommendations

The Panel considered the draft Modification Report and the responses to the Report Phase consultation. The Panel remained unanimously against the implementation of the Proposed Modification for the reasons given above in Section 3.2 as well as for the following reasons:

- Several Suppliers have already invested resource into attainment of the current 97% Standard. It would therefore be inappropriate to reduce the Standard since it would disadvantage these Suppliers and would therefore not better facilitate competition and Applicable BSC Objective (c); and
- Costs cannot be reduced without affecting levels of performance.

A majority of the Panel remained against the implementation of the Alternative Modification for the reasons given above. A minority of the Panel (1 member) agreed with both the Group and consultation respondents since he thought that there was little point policing a high target which was not necessarily linked to the maintenance of data quality. Furthermore an excessively high and unachievable target would be a barrier to entry as new entrants would notice the differential between their ability to achieve the Standard relative to the ex-host Supplier.

The Panel unanimously agreed with the legal text for both the Proposed and Alternative Modifications.

The Panel unanimously agreed with the Implementation Date of the first day of the first Calendar month that commences at least 20 Working Days following an Authority decision.

3.4 Additional information

One Panel member questioned the effect of P182 on Supplier Charges. The Group had not analysed the consequential effect of P182 on Supplier Charges. In the main this was since it believed that the sum collected from Supplier Charges was in the region of £17m, a large proportion of which would be redistributed and thus the net changes in funds were substantially lower and hence cash flow issues were not thought to be significant. The Panel Member commented that it may be difficult to assess the effects of a reduction in target level because of the effects of redistribution. However, a reduction would certainly mean that those Suppliers already achieving better than the proposed revised target would be relatively disadvantaged. A reduction in monies spent on performance improvement by Suppliers was considered to be the main financial benefit of P182.

One Panel member commented that small Suppliers should be encouraged to respond to the Report Phase consultation, and in particular should note whether they bear proportionate costs to large Suppliers in reaching the Standard. It was noted that the Modification Group has contained members drawn from organisations with "small" supply businesses. There was a general recognition that given their relative size and lesser negotiating power with agents the issues facing smaller Suppliers might be

greater than just proportionate. Indeed no Supplier achieves 97% in all GSP Groups and even large Suppliers, operating out of their host areas, have issues with Agents.

4 IMPACT ON BSC SYSTEMS AND PARTIES

An assessment has been undertaken in respect of BSC Systems and Parties and the following have been identified as potentially being impacted by the Proposed and Alternative Modifications.

4.1 BSCCo

There will be an implementation impact on ELEXON who will be required to implement P182, the PARMS parameter change and documentation changes, provide project assurance and IT support. They will also update the Obligations Register.

In addition there will be a change in focus for the Performance Assurance team who will no longer be concentrating on the 97% NHH RF target but on a lower target of 95.5%. This change in focus will also impact Operational Support Managers (OSMs) in their dealings with the relevant Supply companies, as well as to those who provide market monitoring reports. The reduced Standard may mean that fewer Parties are escalated to PAB.

4.2 BSC Systems

| System / Process | Potential Impact of Proposed/Alternative Modification |
|------------------|---|
| Reporting | The PARMS parameter will be amended - the 97% Standard will be changed to 95.5% for both Supplier Charges and reporting purposes. |

4.3 Parties and Party Agents

Parties may have systems to validate Supplier Charges and these would require a change to a data item of 97% to 95.5%. Parties may also have reduced Supplier Charges bills as the Standard is lower and hence monies charged and redistributed will be less.

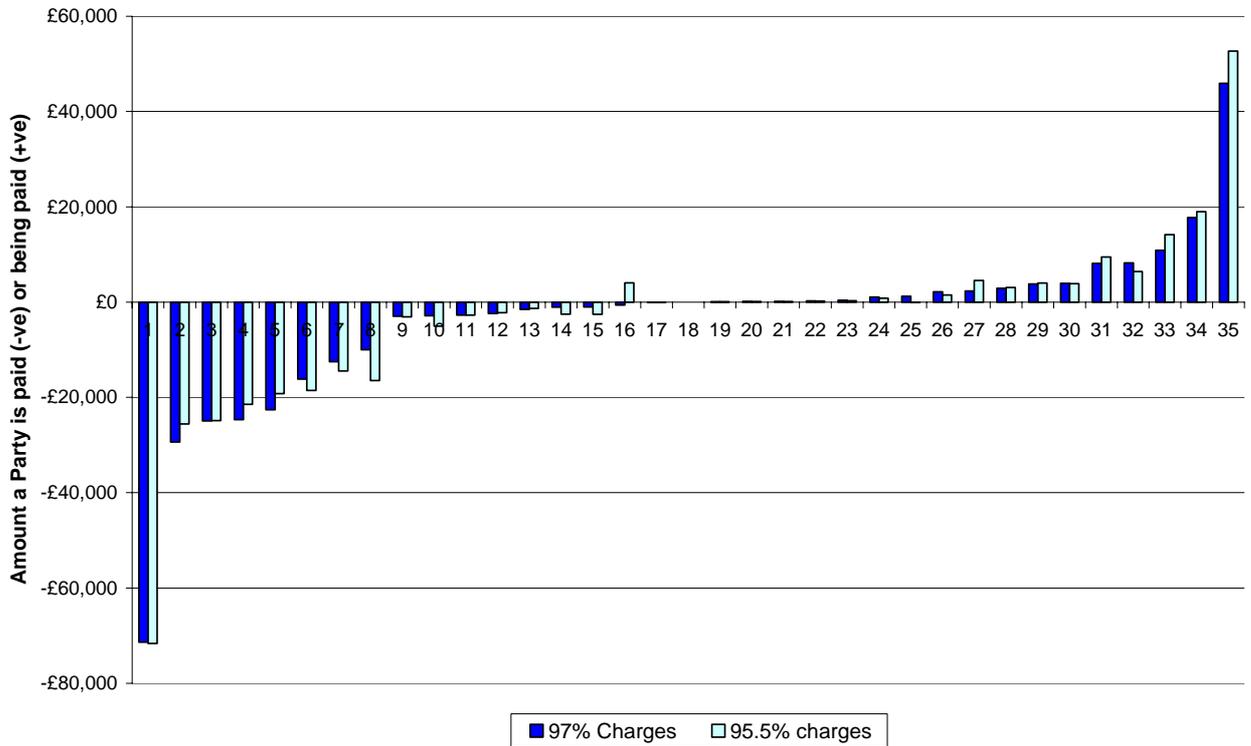
Generators will receive less money from Supplier Charges redistribution.

Agents may have amended contracts with Suppliers due to the revised RF target.

The Graph below shows the net position, in relation to Supplier Charges, of Supplier Ids for the May 2005 Reporting Period across all GSP Groups. All Supplier Charges are included in the calculation except for Serial SP01 (late submission charges). Adjustments for previous reporting periods are also not included.

NHHRF charges have been calculated for performance below 97% and 95.5% respectively using the Supplier Charge of £1.53. The charges show the redistribution of the 90% of the funds (the other 10% is apportioned across Trading Parties based on Funding Share and is not included in this analysis as a Trading Party may have more than one Supplier ID).

A positive charge on the graph indicates a Party receiving monies, a negative charge indicates a Party paying monies.



The table shows the impact of the change in Standard on individual Suppliers - it is not unidirectional. Some Suppliers benefit and some do not from this change. The reduction of the Standard results in approximately 10% less funds being collected as Supplier Charges. It also results in fewer cap breaches by several Suppliers. It is thought that this may account for the fact that some Suppliers benefit overall from the reduction of the Standard.

5 IMPACT ON CODE AND DOCUMENTATION

5.1 Balancing and Settlement Code

Both the Proposed and Alternative Modifications will require changes to the Code Annex S-1. See Annex 1.

5.2 Code Subsidiary Documents

Changes will be required to BSCP 533 and BSCP 534.

5.3 BSCCo Memorandum and Articles of Association

No changes were identified.

5.4 Impact on Core Industry Documents and Supporting Arrangements

No impacts were identified.

6 SUMMARY OF CONSULTATIONS

| Consultation question | Respondent agrees | Respondent disagrees | Opinion unexpressed |
|---|-------------------|----------------------|---------------------|
| Do you agree with the Panel's views on P182 and the provisional recommendation to the Authority contained in the draft Modification Report that P182 Proposed Modification should not be made? | 11 (56+1) | 4 (3+1) | |
| Do you agree with the Panel's views on P182 and the provisional recommendation to the Authority contained in the draft Modification Report that P182 Alternative Modification should not be made? | 7 (32+1) | 8 (27+1) | |
| Do you agree with the Panel's view that Alternative Modification P182 better facilitates the Applicable BSC Objectives when compared with Proposed Modification P182? Please note this indicates Panel support for a Calendar Day implementation of P182. | 9 (44 +1) | 4 (13+1) | 2 (2) |
| 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? | 10 (49+2) | 1 (1) | 4 (9) |
| Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P182? | 10 (41+2) | 2 (11) | 3 (7) |

6.1 Panel's Provisional Recommendation

15 responses representing 59 Parties and 2 non Parties were received to the consultation. The numbers in the table are presented as follows: Number of respondents (Parties +non Parties).

6.1.1 Proposed

A majority of respondents agreed with the Panel's provisional recommendation that the Proposed Modification should not be made. The reasons given were split. Some respondents preferred the Alternative Modification to the Proposed Modification – since the Settlement Day implementation of the Proposed Modification would mean a delay by at least 14 months following the Authority's decision. Others did not support the detail of the Modification Proposal:

- Evidence does not support changing the current methodology;
- Potential reductions in data quality and their long-term effects have not been fully considered. It is possible, for example, that such problems could lead to problems in Customer transfers;
- The 97% target has been reached by many Suppliers at various times and should be retained in order to ensure improved data quality entering Settlement and therefore improve chances of attaining an unqualified audit opinion in future;
- Neither the Proposed Modification nor the Alternative Modification, better facilitate relevant Applicable BSC Objectives;
- The exclusion of the Profile Class split removes one of the main benefits of P182;
- Lowering the target sends the wrong message to industry, at this stage;

- The Proposed Modification reduces the performance Standard, but does not put in place alternative measures to maintain and improve data quality. In addition the costs of the proposal outweigh any benefits the Modification Group has identified; and
- Consideration of the effects on LDSO revenues had not been factored into the decision making process.

A minority of respondents did not agree with the Panel's provisional recommendation that the Proposed Modification should not be made for the following reasons:

- The incremental cost of achieving 97% as opposed to 95.5% is high and diverts limited resources away from meeting Customer requirements for accurate/lower bills etc. This is particularly true for small Suppliers who have less negotiating power with agents, and less resource available. The Panel is taking a narrow Settlement view and not an industry view of the impact on Customers;
- P182 has met the requirements that it set out to achieve. Improvements in data quality were not part of the scope. Since RF performance is only one indicator of data quality, it should not override the intention of equitability on defined and understood rationale;
- P182 attempts to realign the RF percentage targets with a realistic level of performance by Suppliers. The revised target is above the current industry average, so it will ensure that Suppliers continue to input the same level of resource to maintain current levels of performance;
- P182 prevents Suppliers from being unduly penalised for the actions of its Customers since Customers ultimately determine the right of access, and so the success rate of Meter readings;
- This revised target removes the situation where all Suppliers are failing to hit targets and enables PAB to concentrate on true offenders; and
- There are efficiency savings from reduced Supplier Charges.

6.1.2 Alternative

A majority of respondents disagreed with the Panel's provisional recommendation and concluded that the Alternative Modification should be made. Many reasons were given – some of these were the same as given for disagreement with the provisional recommendation in relation to the Proposed Modification above. Only reasons different from those are presented below:

- The existing Standard of 97% was in part based on Overall Standard 7 (OS7), which was based on percentage of Customer reads rather than as a percentage of volume as currently. It therefore has a credibility issue in that it has no scientific basis and after 7 years all Suppliers are still failing to achieve it. The revised target is based on extensive data analysis and this enabled a mathematical approach to be adopted. This is an improvement on what the industry currently achieves and is an equitable and tolerably accurate target for performance at RF; and
- P182 is good for all Suppliers (large and small) for Customers and the industry as a whole and Suppliers are happy with the equitability of Settlement.

Additionally there were comments regarding the Panel's decision being in part for reasons of lack of improvement in data quality. Several respondents disagreed with this:

- Improvements in data quality were not part of the scope. Since RF performance is only one indicator of data quality, it should not override the intention of equitability on defined and understood rationale;
- There is disappointment that in isolation this Standard continues to be targeted as the root cause of audit, data quality and Customer billing issues. Should a new RF target be agreed, the focus on the material errors negatively affecting Settlement would be re-prioritised;
- Data analysis has convinced most of the Group that lowering the Standard will not be detrimental to data quality:
 - The movement between EACs and AAs from the current industry average of 94.5% to 97% is minimal;
 - There is no issue with the Age of EACs within the Settlement window of 14 months;
 - The proposed Standard is HIGHER than the current industry average;
 - Issues over data quality are already being addressed on a number of fronts e.g. Customer Transfer Programme; Issue 14.

One of the dissenting respondents noted that a number of reasons were given by the Panel and commented on each of these – the comments can be viewed in full in the draft Modification Report Consultation responses. Several of these comments referred to the decisions taken by the Panel and the issues it considered when making those decisions.

A minority of respondents agreed with the Panel's provisional recommendation that the Alternative Modification should not be made. Reasons given were that:

- Evidence does not support changing the current methodology. Potential reductions in data quality and their long-term effects have not been fully considered. It is possible, for example, that this could lead to problems in Customer transfers;
- The 97% target has been reached by many Suppliers at various times and should be retained in order to ensure improved data quality entering Settlement and therefore improve the chances of attaining an unqualified audit opinion in future;
- The exclusion of Profile Class split removes one of the main benefits of P182;
- Lowering the target sends the wrong message to industry, at this stage;
- Neither the Proposed Modification nor the Alternative Modification better facilitate relevant Applicable BSC Objectives; and
- P182 reduces the performance Standard, but does not put in place alternative measures to maintain and improve data quality. The costs of the proposal outweigh any benefits the Modification Group has identified.

6.1.3 Proposed vs. Alternative

A majority of respondents agreed with the Panel that the Alternative Modification better facilitated the achievement of the Applicable BSC Objectives when compared with the Proposed. Reasons given were:

- A Calendar Day implementation is appropriate because:

- The proposed implementation of P182 would be November 2005 at the earliest. This seems sufficient lead time to enable Suppliers to adjust their performance to reflect the new targets;
 - The benefits of P182 (reducing costs, removing the current target hence removing a deterrent to entry, assisting PAB) would be realised earlier;
 - Visibility of performance would be enhanced by this approach because improvement would be identifiable earlier than the current Settlement Day calendar allows; and
 - Calendar day implementation would be the simpler and more efficient option.
- A Settlement Day is inappropriate since it would mean an unnecessarily long lead before the new standards take effect which would lose its impact (a 14 month timelag after the implementation of the Modification). This would effectively mean an Implementation Date of January 2007, which will remove any benefits P182 may have.

One respondent caveated support for a Calendar Day implementation since it is effectively retrospective, and due to the significant fiscal impact of the change, more notice should be provided.

Another emphasised that in its opinion, neither of these would seem to better facilitate the Applicable BSC objectives more than the current approach.

A minority of respondents believed that the Alternative Modification was not better than the Proposed. A reason given was that:

- Although the electricity supply industry would realise any benefits of the Modification earlier with a Calendar Day implementation it could have a distorting effect on Suppliers' resources. A Settlement Day implementation would be preferable as Suppliers and their agents would have more time to amend their systems accordingly;

Some of these respondents disagreed since they supported neither.

Two respondents provided no comment on this issue.

6.2 Draft Legal Text

A majority of respondents supported the draft legal text provided.

One respondent did not answer but commented that the existing legal text is at best unclear about exactly which runs are used in the measurement of performance and determination of charges and their reallocation. The proposed legal text does not make this situation any worse, and is satisfactory in the context solely of the specific Modification Proposed.

One respondent did not support the legal text since it did not support the Modification Proposal itself.

6.3 Recommended Implementation Date

A majority of respondents supported the recommended Implementation Date. Reasons given were that the earlier the implementation the greater the benefit to Suppliers and to PAB who would act to enforce a more realistic target. In addition, the lack of any system development lends itself to an early deployment.

One respondent supported the suggested date for a Settlement Day implementation, but believed that the Alternative Modification should have a longer notice period, given that Calendar Day implementation effectively makes the change retrospective in respect of individual Settlement Days.

A minority of respondents did not support the recommended Implementation Date. One of the reasons was due to lack of support for a Calendar day Implementation Date and another was due to lack of support for either the Proposed or Alternative Modifications.

6.4 Further Comments

Several respondents (a majority) added further comments. Several of these were related to the cost of PARMS changes. Comments were:

- New/small Suppliers incur much higher proportionate cost meeting the current 97% Standard. Small Suppliers have a higher percentage of Customers who have been through a change of Supplier process. Inherited problems are more difficult to fix after a change of Supplier and this can be very resource intensive. This resource would be better spent on resolving billing issues and providing better service to the Customer;
- It is appropriate to continue with the 97% target for RF as not all Suppliers are achieving this currently and should be mandated to comply with their existing obligations, with respect to data quality;
- Although the Group excluded age of EAC from the scope of P182, further analysis in this area could identify a way to cause significant increase in NHH data quality. Specific work on the age of last valid actual reading is recommended;
- P182 has raised some significant issues in relation to EAC/AA volatility within individual Profile Class groupings. Small Suppliers operating in the 03-08 groups will encounter greater volatility than 01-02. By rejecting the proposed separation, large domestic Suppliers will still be able to absorb the volatility of the non-domestic market;
- The 97% standard is NOT about the equitability of Settlement but about data quality, even though a figure down to 94% appears to be acceptable in respect of equitability alone;
- The Profile Class element was removed from P182 on the grounds of costs to implement (PARMS changes required). This must pose questions about the suitability of the PARMS software. Follow up should be made with the PARMS service provider to better understand these costs and work towards a situation where changes can be made without major financial impact on the industry;
- It is a pity that a more modest reduction was not chosen, say to 96.5%. The proposed 1.5% drop in the Standard represents a significant decrease. In fact, it increases the EAC energy allowable by 50%. This is unacceptable for data quality purposes in the current industry climate. However, the industry is starting to perform better and become more aware of its responsibilities. A more modest decrease of 0.5% to 96.5% would have had the dual effect of breaking the "97% myth", yet committing the industry to a still challenging data quality objective. A great opportunity has been missed; and
- There was concern that the BSC Panel has used poor arguments to reject P182 and not paid attention to the hard work and analyses carried out which have been supported by the majority of the VASMG. It was also noted that the BSC Panel have been unnecessarily influenced by outside concerns and perceptions of what the industry or certain external organisations may think of this modification if it is approved. This would seem to be in contradiction of any terms of reference of the BSC Panel.

6.5 Comments and Views of the Panel

The Panel Chairman responded to several of the comments regarding the Panel's decision making process. The Chairman thanked respondents for the comments made, but considered that the Panel

did not consider issues that are outside its remit – citing precedence that the Panel should be aware of external issues in its consideration.

One Panel member commented about the choice of a value for the uncertainty that is acceptable in Settlement. He confirmed that the value of 0.4% was appropriate since the audit threshold is 0.5% and it would be undesirable to have a level of uncertainty for one aspect of the arrangements at, or above, the audit threshold.

Another Panel member stated that the removal of the split in Profile Class groups was unfortunate but appropriate given the costs associated with it.

This member also considered the consultation response which claimed that new/small Suppliers incur higher proportionate costs meeting the current 97% Standard and should better spend the resource on Customer service. This member considered that some Suppliers are happy with the 97% and have invested to try to achieve it. Therefore lowering the target would be disadvantageous to these Suppliers.

One Panel member considered that there were extra costs associated with trying to achieve 97% and that this was a valid issue for the new/small Supplier. In light of this retaining an unfounded Standard was inappropriate.

This Panel member also expressed concern regarding the opacity of the interactions between the different aspects of the PAF especially Supplier Charges and 97% Standard (SP08a).

7 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

7.1 Analysis

Please see Assessment Report – Annex 3.

7.2 Comments and Views of the Panel

No comments.

8 IMPLEMENTATION APPROACH

The Proposed Modification would be implemented on a Settlement Day basis, if approved. This means that performance at RF would be measured against the new Standard for all Settlement Dates on or after the Implementation Date. Therefore the Supplier's performance will not be measured against the new RF Standard until 14 months after the Implementation Date.

The Alternative Modification would be implemented on a Calendar Day basis, if approved. This means that the new RF Standard will be applied to Supplier's performance in all RF Runs that occur on or after the Implementation Date. Therefore the Supplier's performance will be measured against the new Standard immediately.

The external costs and timescales are provided in Section 2.

The ELEXON internal resource in man-days required to implement the solutions is also in Section 2. The Proposed and Alternative Modifications would be implemented by the SVA Programme.

A key risk is that the development and changes required to implement P182 are being made to the PARMS system which is currently being amended in order to implement Approved Modification P99. The completion of the P99 project and new PARMS is therefore a minor dependency.

9 DOCUMENT CONTROL

9.1 Authorities

| Version | Date | Author | Reviewer |
|---------|----------|-------------|------------------|
| 0.1 | 14/07/05 | Dena Harris | ELEXON |
| 0.2 | 14/07/05 | Dena Harris | ELEXON/Panel rep |
| 0.3 | 14/07/05 | Dena Harris | Industry |
| 0.4 | 03/08/05 | Dena Harris | ELEXON |
| 0.5 | 04/08/05 | Dena Harris | ELEXON |
| 0.6 | 05/08/05 | Dena Harris | Panel |
| 0.7 | 11/08/05 | Dena Harris | ELEXON |
| 1.0 | 12/08/05 | Dena Harris | Authority |

9.2 References

| Ref | Document | Owner | Issue date | Version |
|-----|--|-------------|------------|---|
| 1 | BSC Review | ELEXON | 07/09/04 | http://www.elexon.co.uk/Publications/bscreview/default.aspx |
| 2 | P182 Modification Proposal | ELEXON | 29/11/04 | http://www.elexon.co.uk/documents/Modifications/182/P182.pdf |
| 3 | P182 Initial Written Assessment | ELEXON | 03/12/04 | http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2004_-_087_-_Papers/87_011a.pdf |
| 4 | P182 Definition Consultation Document | ELEXON | 01/02/05 | http://www.elexon.co.uk/documents/Consultations/P182_Definition_Consultation/P182_DC_1.0.pdf |
| 5 | P182 Definition Report | ELEXON | 04/03/05 | http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2005_-_090_-_Papers/90_006a.pdf |
| 6 | Review of the BSC Audit Terms of Reference | ELEXON | 25/04/05 | http://www.elexon.co.uk/documents/Consultations/Review_of_the_BSC_Audit_Terms_of_Reference/BSC_Audit_Review_Consultation_Document.pdf |
| 7 | Initial Consultation Document | ELEXON | 16/05/05 | http://www.elexon.co.uk/documents/Consultations/P182_Assessment_Consultation/P182_AC_1.0.pdf |
| 8 | Second Consultation Document | ELEXON | 16/06/05 | http://www.elexon.co.uk/changeimplementation/ModificationProcess/Modificationdocumentation/modProposalView.aspx?propID=200 |
| 9 | Assessment Report | ELEXON | 11/07/05 | http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2005_-_094_-_Papers/94_006a.pdf |
| 10 | Gas and Electricity Domestic Billing Super-complaint | energywatch | 08/04/05 | http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11101_11605.pdf |

| | | | | |
|----|--|-------|----------|---|
| 11 | Ofgem's response to the Super-complaint on billing processes made by the Gas and Electricity Consumer Council(energywatch) | Ofgem | 05/07/05 | http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11828_16305.pdf |
|----|--|-------|----------|---|

ANNEX 1 LEGAL TEXT

Attachment 1 contains the legal text for Proposed Modification P182.

Attachment 2 contains the legal text for Alternative Modification P182.

ANNEX 2 MODIFICATION GROUP DETAILS (ASSESSMENT PROCEDURE)

| Member | Organisation | Email | 17/03 | 04/05 | 31/05 | 13/06 | 05/07 |
|-------------------|------------------------|--|-------|-------|-------|-------|-------|
| Sarah Parsons | ELEXON (Chairman) | Sarah.Parsons@elexon.co.uk | Y | Y | N | N | N |
| Chris Rowell | ELEXON (Chairman) | Chris.rowell@elexon.co.uk | N | N | Y | Y | Y |
| Dena Harris | ELEXON (Lead Analyst) | Dena.harris@elexon.co.uk | Y | Y | Y | Y | Y |
| Sandra Wybrow | ELEXON (Lawyer) | Sandra.Wybrow @elexon.co.uk | N | Y | N | N | Y |
| Tim Roberts | (Proposer) | Tim.Roberts@scottishpower.plc.uk | Y | Y | Y | Y | Y |
| David Jones | ELEXON | David.Jones@elexon.co.uk | N | Y | Y | Y | Y |
| Richard Cullen | ELEXON | Richard.Cullen@elexon.co.uk | N | Y | N | N | N |
| David Warner | ELEXON | David.Warner@elexon.co.uk | Y | N | N | N | N |
| Claire Walsh | Centrica | Claire.Walsh@centrica.co.uk | Y | Y | Y | Y | Y |
| Bob Brown | Cornwall consulting | bob.brown@cornwall-consulting.co.uk | Y | Y | N | Y | Y |
| Douglas Alexander | Scottish Power | Douglas.Alexander@scottishpower.plc.uk | N | Y | Y | N | N |
| John Sykes | Scottish & Southern | john.sykes@scottish-southern.co.uk | N | Y | Y | Y | Y |
| John Stewart | RWE Npower | John.stewart@npower.com | Y | Y | Y | Y | Y |
| Phil Russell | Independent Consultant | phil@russell15.freemove.co.uk | N | Y | Y | Y | Y |
| Kevin Oxbury | Powergen | Kevin.oxbury@pgen.com | N | N | N | N | N |
| Chris Pooley | Campbell Carr | c_pooley@campbellcarr.co.uk | N | N | N | N | N |
| Jonathan Purdy | EDF Energy | Jonathan.purdy@edfenergy.com | Y | N | Y | Y | Y |
| Colin Prestwich | Smartest Energy | colin-prestwich@smartestenergy.com | N | N | N | N | N |
| Nicholas Rubin | | | Y | N | N | N | N |
| Afroze Miah | EON | afroze.miah@powergen.co.uk | Y | Y | Y | Y | Y |
| Mike Smith | ELEXON | Mike.smith@elexon.co.uk | N | N | Y | N | N |

| Attendee | Organisation | Email | 17/03 | 02/05 | 31/05 | 13/06 | 05/07 |
|----------------|----------------|-----------------------------------|-------|-------|-------|-------|-------|
| Ian Anthony | Ofgem | Ian.Anthony@ofgem.co.uk | Y | Y | Y | Y | Y |
| Gareth Evans | Total Fina | | N | N | Y | Y | Y |
| Ceri Hughes | Centrica | Ceri.Hughes@centrica.co.uk | N | Y | Y | Y | Y |
| Hayden Watt | NPower | Hayden.Watt@npower.com | Y | N | N | Y | Y |
| Jonathan Perks | British Energy | Jonathan.Perks@British-energy.com | N | N | N | Y | Y |

ANNEX 3 ASSESSMENT REPORT

Attachment 3 contains the Assessment Report for P182.

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 RESPONSES

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