

**Draft MODIFICATION REPORT for Modification Proposal P166****Removal of unintentional effects of P123 to allow Supplier BM unit DC values to be revised downwards during a BSC Season****Prepared by: Balancing and Settlement Code Panel**

<b>Date of issue:</b>	7 May 2004	<b>Document reference:</b>	P166MR
<b>Reason for issue:</b>	For Panel decision	<b>Issue/Version number:</b>	DraftFinal/0.7

This document has been distributed in accordance with Section F2.1.10<sup>1</sup> of the Balancing and Settlement Code.

**RECOMMENDATIONS**

Having considered and taken into due account the contents of P166 draft Modification Report, the Balancing and Settlement Code Panel recommends:

- **that Proposed Modification P166 should be made;**
- **an Implementation Date for Proposed Modification P166 of 10 Working Days after the Authority's decision; and**
- **the proposed text for modifying the Code, as set out in the draft Modification Report.**

**Intellectual Property Rights and Copyright** - This document contains materials the copyright and other intellectual property rights in which are vested in ELEXON Limited or which appear with the consent of the copyright owner. These materials are made available for you to review and to copy for the purposes of the establishment, operation or participation in electricity trading arrangements in England and Wales under the BSC. All other commercial use is prohibited. Unless you are a person having an interest in electricity trading in England and Wales under the BSC you are not permitted to view, download, modify, copy, distribute, transmit, store, reproduce or otherwise use, publish, licence, transfer, sell or create derivative works (in whatever format) from this document or any information obtained from this document otherwise than for personal academic or other non-commercial purposes. All copyright and other proprietary notices contained in the original material must be retained on any copy that you make. All other rights of the copyright owner not expressly dealt with above are reserved.

**Disclaimer** - No representation, warranty or guarantee is made that the information provided is accurate, current or complete. Whilst care is taken in the collection and provision of this information, ELEXON Limited will not be liable for any errors, omissions, misstatements or mistakes in any information or damages resulting from the use of this information or any decision made or action taken in reliance on this information.

<sup>1</sup> The current version of the Balancing and Settlement Code (the 'Code') can be found at [www.elexon.co.uk/ta/bsc/el\\_docs/bsc\\_code.html](http://www.elexon.co.uk/ta/bsc/el_docs/bsc_code.html)

## CONTENTS TABLE

<b>Recommendations .....</b>	<b>1</b>
<b>Summary of impacted parties and documents .....</b>	<b>3</b>
<b>1 Description of Proposed Modification and assessment against the Applicable BSC Objectives .....</b>	<b>4</b>
1.1 Modification Proposal .....	4
1.2 Proposed Modification .....	5
1.3 Issues raised by the Proposed Modification .....	5
1.4 Assessment of how the Proposed Modification will better facilitate the Applicable BSC Objectives.....	5
1.5 Governance and regulatory framework assessment .....	5
<b>2 Costs.....</b>	<b>5</b>
<b>3 Rationale for Panel’s recommendations .....</b>	<b>7</b>
<b>4 Impact on BSC Systems and Parties .....</b>	<b>7</b>
4.1 BSCCo .....	7
4.2 BSC Systems.....	7
4.3 Parties and Party Agents .....	7
<b>5 Impact on Code and documentation.....</b>	<b>8</b>
5.1 Balancing and Settlement Code .....	8
5.2 Code Subsidiary Documents .....	8
5.3 BSCCo Memorandum and Articles of Association .....	8
5.4 Impact on Core Industry Documents and supporting arrangements .....	8
<b>6 Scenarios.....</b>	<b>8</b>
6.1 Scenario 1: Without P166.....	9
6.2 Scenario 2: With P166 .....	9
<b>7 Summary of consultations .....</b>	<b>10</b>
7.1 Panel’s Provisional Recommendation .....	10
7.2 Draft Legal Text .....	10
7.3 Recommended Implementation Date .....	11
7.4 Comments and views of the Panel .....	11
<b>8 Summary of Transmission Company analysis.....</b>	<b>11</b>
8.1 Analysis .....	11
<b>9 Implementation approach .....</b>	<b>11</b>
<b>10 Document control .....</b>	<b>11</b>
10.1 Authorities .....	11
10.2 References.....	12
<b>Annex 1 Draft legal text.....</b>	<b>13</b>
<b>Annex 3 Consultation responses.....</b>	<b>13</b>
<b>Annex 4 Transmission Company analysis .....</b>	<b>13</b>
<b>Annex 6 Party impact assessments .....</b>	<b>14</b>
<b>Annex 7 Clarification of Costs.....</b>	<b>14</b>

## SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

The following parties/documents have been identified as being impacted by Modification Proposal P166.

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

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

## 1.1 Modification Proposal

Modification Proposal P166 'Removal of unintentional effects of P123 to allow Supplier BM Unit DC values to be revised downwards during a BSC Season' (P166) was raised by Bizzenergy on 26 March 2004.

P166 seeks to address an inconsistency in the Balancing and Settlement Code (the Code) introduced with the implementation of Approved Modification P123 'Assessment of Credit Cover following a change to a Party's portfolio' (P123). P123 was implemented on 27 February 2004.

The Lead Party of a BM Unit is required (pursuant to Section K3.4.1b) to notify to the Central Registration Agent (CRA) the expected maximum magnitude of the negative BM Unit Metered Volume ( $QM_{ij}$ ) for each BM Unit for each BSC Season<sup>2</sup>. By dividing this value by the Settlement Period Duration (SPD), pursuant to Section K3.4.8, the  $QM_{ij}$  value is converted into the Demand Capacity (DC) for the BM Unit for that BSC Season.

P123 introduced the capability for Lead Parties to notify to the CRA a revised value of  $QM_{ij}$  (following a loss of customers, for example), which they believe is a more appropriate estimated most negative value of  $QM_{ij}$  for the remainder of the BSC Season; hence, the DC value for the remainder of the BSC Season would be reduced (made less negative) as a result.

The inconsistency addressed under P166 arises as a result of Section K3.4.5, which was not changed as a result of P123. This paragraph obliges Parties to notify to the CRA, as soon as reasonably practicable, when they became aware that tolerances detailed in Section K3.4.3 have been exceeded. These tolerances are that the maximum magnitude of the negative value of  $QM_{ij}$ , divided by the SPD (to equate the units), will be more negative than the DC value by 0.5MW or 1% of the magnitude of DC for any Settlement Period in the relevant BSC Season. These tolerances are therefore applied retrospectively, as well as prospectively, across the BSC Season.

If a Party has decreased its DC (made it less negative) during the BSC Season, and has already achieved a  $QM_{ij}$  more negative than the revised value, the Party is immediately obligated to inform the CRA of this value, which results in its DC being linked to the most negative  $QM_{ij}$  value for the entire BSC Season.

The fact that the tolerances in Section K3.4.5 apply to Settlement Periods across the whole BSC Season, rather than across the remainder of the BSC Season after a revised DC value has been accepted (pursuant to section K3.4.2A), means that the intention of Approved Modification P123 may not be realised in some cases. Some DC decreases, allowed by P123, would need to be immediately revised upwards (made more negative) by virtue of Section K3.4.5.

Panel paper 71/023 (Reference 2) was presented to the Balancing and Settlement Code Panel (the Panel) at its meeting on 15 January 2004, describing the inconsistency and its effect on the implementation of P123. The paper notes that the intent of P123 was made clear in the Modification Report (Reference 1), but that this inconsistency was such that the Panel was unable to raise a Modification Proposal to remedy the defect. The Panel invited a Party to raise a Modification Proposal. The Proposer of P123 (Bizzenergy) consequently raised P166 to address this inconsistency.

The Initial Written Assessment (Reference 3) was submitted to the Panel at its meeting on 8 April 2004. The Panel recommended that P166 be submitted directly to the Report Phase, with a provisional recommendation that P166 be made. In addition, the Panel provisionally recommended that if the

---

<sup>2</sup> For the avoidance of doubt the term "maximum magnitude of the negative value of  $QM_{ij}$ " is the most negative value of  $QM_{ij}$ .

Authority determined that P166 be made, then the Implementation Date should be 10 Working Days after the Authority's decision.

## 1.2 Proposed Modification

The Proposed Modification is to give full effect to P123 by removing the unintentional circular obligations on Parties re-declaring their negative  $QM_{ij}$  estimates mid-BSC Season in accordance with the mechanism introduced by P123.

P166 seeks to amend the Code, such that the tolerances are applied for the Settlement Periods in the **remainder** of the BSC Season, if DC has been downwardly revised (made less negative) mid-BSC Season. This would put the intention of P123 into full effect.

## 1.3 Issues raised by the Proposed Modification

One of the P166 Report Phase consultation responses highlighted that there may be some confusion surrounding the use of the term "maximum magnitude of the negative value". The confusion lies in whether this value should be interpreted as returning a positive or negative value. The Code currently uses the term to return a negative number, and has been used as such in the P166 legal drafting.

Through the progression of P123 and P166 it has become apparent that use of some Code terminology may be considered by some participants to be ambiguous. However, this issue is deemed to be wider than the scope of P166, and it has been agreed that BSCCo will investigate the use of terminology such as maximum, minimum, greater than and less than in respect of positive and negative numbers and sets of numbers throughout the Code, and report to ISG on its findings.

## 1.4 Assessment of how the Proposed Modification will better facilitate the Applicable BSC Objectives

The Panel agreed that P166, by removing the unintentional effects caused by the implementation of P123, would better facilitate the achievement of Applicable BSC Objective (d), in that it would increase efficiency in the administration of the balancing and settlement arrangements.

## 1.5 Governance and regulatory framework assessment

Were P166 to be made, it is believed that there would be no impact on the governance, regulatory framework or contractual issues, and there would be no wider implications of the Modification Proposal to take into account.

## 2 COSTS<sup>3</sup>

### PROGRESSING MODIFICATION PROPOSAL

<b>Demand Led Cost</b>	£ 0
<b>ELEXON Resource</b>	15 Man days £ 2,870

<sup>3</sup> 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	P166 Incremental Cost	Tolerance
<b>Service Provider<sup>4</sup> Cost</b>	Change Specific Cost	£ 0	£ 0	n/a
	Release Cost	£ 0	n/a	n/a
	Incremental Release Cost	£ 0	£ 0	n/a
	<b>Total Service Provider Cost</b>	£ 0	£ 0	n/a
<b>Implementation Cost</b>	External Audit	£ 0	£ 0	n/a
	Design Clarifications	£ 0	£ 0	n/a
	Additional Resource Costs	£ 0	£ 0	n/a
	Additional Testing and Audit Support Costs	£ 0	n/a	n/a
<b>Total Demand Led Implementation Cost</b>	£ 0	£ 0	n/a	

<b>ELEXON Implementation Resource Cost</b>		5 Man days (£2,000)	5 Man days (£2,000)	+/- 10% +/- £200
<b>Total Implementation Cost</b>		£2,000	£2,000	+/- 10%

## ONGOING SUPPORT AND MAINTENANCE COSTS

		Stand Alone Cost	P166 Incremental Cost	Tolerance
Service Provider Operation Cost		£ 0 per annum	£ 0 per annum	n/a
Service Provider Maintenance Cost		£ 0 per annum	£ 0 per annum	n/a
ELEXON Operational Cost		£ 0 per annum	£ 0 per annum	n/a

<sup>4</sup> BSC Agent and non-BSC Agent Service Provider and software Costs

### 3 RATIONALE FOR PANEL'S RECOMMENDATIONS

The Panel recommends that Proposed Modification P166 should be made, as it will give full effect to Approved Modification P123. P123, and therefore the principle associated with P166, has previously been considered and agreed by a Modification Group, the Panel and the Authority.

The Panel believes that P166 better facilitates the achievement of Applicable BSC Objective (d) in that if P166 were made, the administration of the balancing and settlement arrangements would be more efficient. P166 removes the obligation on BSCCo to inform Parties that they are required to increase their DC values if they have utilised the P123 mechanism but have breached the tolerances retrospectively.

The Panel recommends that the Implementation Date for P166 should be 10 Working Days following an Authority decision, in order to allow time for BSCCo Local Working Instructions to be amended, and to enable the amendments to the Code to be made and prepared for distribution.

### 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 Modification.

#### 4.1 BSCCo

An assessment has been undertaken in respect of BSCCo and the following area has been identified as being impacted by Modification Proposal P166.

Area of Business	Potential Impact of Proposed Modification
BSCCo Systems	No impact
BSCCo Procedures	BSCCo Local Working Instructions are impacted by the amendment to remove the circularity in the obligations in respect of declaring DC for a BSC Season.
BSCCo Contracts (Excluding BSC Agent Contracts)	No impact
Other (e.g. costs, staffing, etc.)	No impact

#### 4.2 BSC Systems

An assessment has been undertaken in respect of all BSC Systems and processes and no impact has been identified from the implementation of Modification Proposal P166.

#### 4.3 Parties and Party Agents

Suppliers may be beneficially impacted by the removal of the obligation to upwardly revise DC (make it more negative) to reflect the most negative value of  $QM_{ij}$  for the entire BSC Season, even where they have been allowed to downwardly revise their DC mid-BSC Season in accordance with the P123 mechanism.

An impact assessment was issued to Parties during the Assessment Procedure for P123 (Annex 6). The responses indicate Parties expected minimal impact from the implementation of P123, and since P166 remains within the same scope, it is believed that this impact assessment is equally valid for P166.

## **5 IMPACT ON CODE AND DOCUMENTATION**

### **5.1 Balancing and Settlement Code**

Section K3.4.2A was introduced into the Code with the implementation of P123, and gives Parties the capability to voluntarily re-declare DC values (outlined in Section K3.4.1) twice during a BSC Season. This paragraph would require amendment to remove a reference to Section K3.4.5 that is not appropriate for reasons detailed below. The further amendments to this paragraph, have already been included as part of a housekeeping Modification Proposal (P164), which the Authority is currently considering.

Following consultation, Section K3.4.2A was clarified in terms of the treatment of negative values of  $QM_{ij}$ , but it should be noted that the clarification does not change the intent of the paragraph.

Section K3.4.3 sets out the tolerances, which if breached, result in an obligation on a Party to re-declare its DC to an appropriately more negative value. The obligation to re-declare (as more fully described in section 1.1 of this document) is due to the fact that the tolerances apply to Settlement Periods across the whole BSC Season, and are applied retrospectively. This paragraph would require amendment to make the tolerances only apply to the remainder of the BSC Season if a Party has made a mid-BSC Season downward revision to its DC in accordance with Section K3.4.2A.

Section K3.4.5 places the obligation on a Party to re-declare a more negative DC if it becomes aware that it has breached the tolerances in Section K3.4.3. This paragraph would require amendment to remove reference to Section K3.4.2A, as this is unnecessary. It is only necessary to refer to Section K3.4.1 in this section, as that is the paragraph that outlines what is required to be notified for a DC value to be declared.

In addition, the final sentence has been removed from Section K3.4.5, as it refers to a right that has expired.

Section K3.4.8 has been amended such that the definition of DC has been expanded to include a value of  $QM_{ij}$  divided by SPD (Settlement Period Duration) declared mid-BSC Season in accordance with Section K3.4.2A.

### **5.2 Code Subsidiary Documents**

An assessment has been undertaken in respect of all Code Subsidiary Documents and no Code Subsidiary Documents are impacted by Modification Proposal P166.

### **5.3 BSCCo Memorandum and Articles of Association**

An assessment has been undertaken in respect of all the BSCCo Memorandum and Articles of Association and no impact has been identified as a result of Modification Proposal P166.

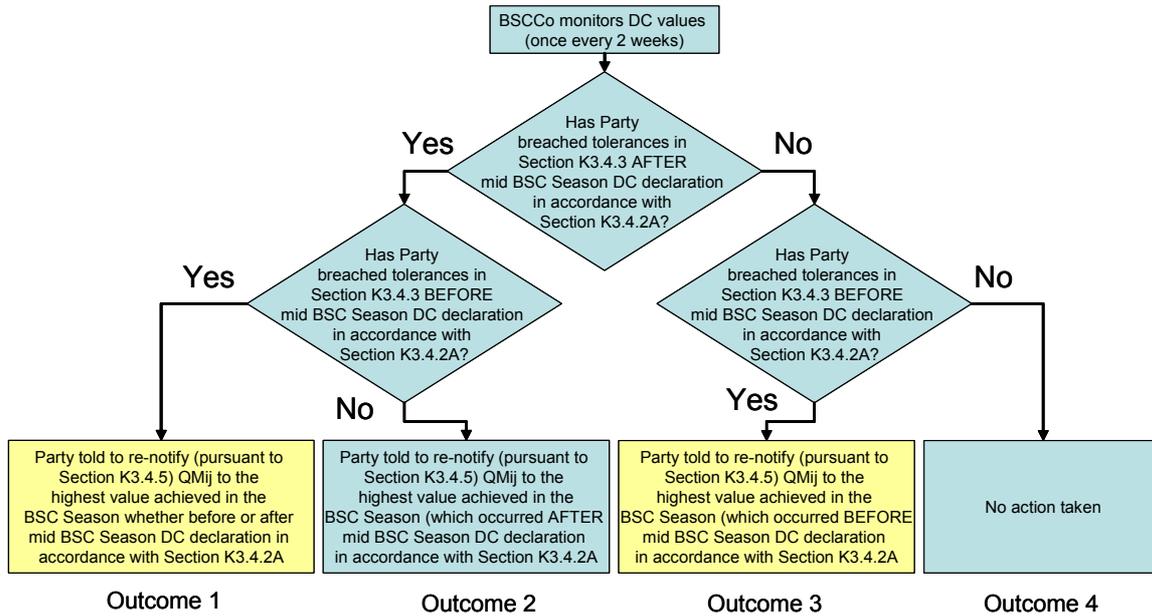
### **5.4 Impact on Core Industry Documents and supporting arrangements**

An initial assessment has been undertaken in respect of Core Industry Documents and no Core Industry Documents are impacted by Modification Proposal P166.

## **6 SCENARIOS**

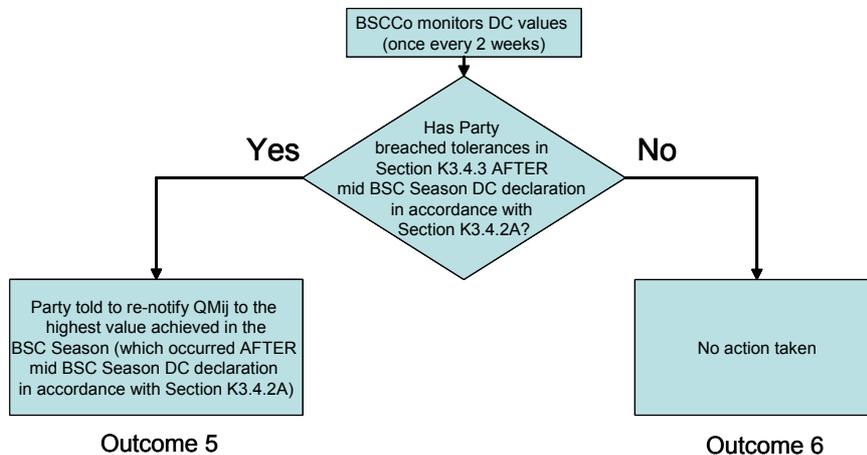
The following flow diagrams show two scenarios: the current situation, whereby P123 can not be fully realised, and the process were P166 to be made.

### 6.1 Scenario 1: Without P166



Outcome 1 and 3 are the unintentional processes, which P166 was raised to remedy.

### 6.2 Scenario 2: With P166



The requirement on a Party to revise  $QM_{ij}$  to the peak negative value for all Settlement Periods in a BSC Season has been removed. For Scenario 2, BSCCo would only instruct a Party to re-notify its  $QM_{ij}$  if it breached the tolerances at any time during the remainder of the BSC Season.

## 7 SUMMARY OF CONSULTATIONS

Consultation question	Respondent agrees	Respondent disagrees	Opinion unexpressed
Do you agree with the Panel's views on P166 and the provisional recommendation to the Authority contained in the draft Modification Report that P166 should be made?	4 (22 Parties)	1(3 Parties)	1 (1 Party)
Do you agree that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?	3 (21 Parties)	1(3 Parties)	2 (2 Parties)
Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P166?	5 (25 Parties)	0	1 (1 Party)

### 7.1 Panel's Provisional Recommendation

All of the respondents who made a comment supported the Panel's provisional recommendation that P166 should be made.

The majority of respondents were of the opinion that implementation of P166 would better facilitate the achievement of Applicable BSC Objective (d) in that it would improve efficiency in the administration of the balancing and settlement arrangements. One respondent, in addition, believed that the implementation of P166 would better facilitate the achievement of Applicable BSC Objective (c).

One respondent did not agree that P166 should be made. This respondent did not believe that P123 better facilitated Applicable BSC Objective (c) and therefore, felt that they could not support P166. The respondent was concerned that no evidence is required by the Party to support its decision to apply to reduce its DC, and that this could result in a Party using the P123 mechanism to avoid being put into Credit Default, whilst continuing to trade. The respondent believed that this would result in unacceptable risk to other Parties.

The Panel believed that the respondent's comments had little to do with a lack of support for P166 and its intention to fully realise the solution implemented by Approved Modification P123, but more to do with a lack of support for P123, which has been scrutinised and approved by the Authority.

One respondent returned a response of "no comment" to all questions.

### 7.2 Draft Legal Text

All, bar one, of the respondents who made a comment on the draft legal text supported the Panel's view that the draft legal text would correctly address the issue identified by P166.

The respondent who did not agree with the draft legal text was concerned about the terminology used in Section K3.4.2A. He stated that one could not compare "maximum magnitude of the negative value of QM divided by SPD" with the DC, as DC is a negative value and the former a positive value.

The Panel noted this response and resulting ELEXON legal advice that the term "maximum magnitude of the negative value", should be read within the Code as returning a negative value. This is how the term is currently interpreted within the Code to mean the *most negative* value, for example in Section K3.4.1 (which obliges Parties to notify their expected most negative  $QM_{ij}$  value for the BSC Season, prior to the start of the BSC Season) and Section K3.4.3 (which outlines the tolerances, which if breached require a re-declaration of DC).

Following this consultation response, ELEXON has decided to undertake a review of related terms in the Code (such as maximum, minimum, greater than and less than) in respect of negative values and sets of values. A paper will be presented to ISG outlining the findings.

After some discussion, the respondent remained dissatisfied with the legal text.

### 7.3 Recommended Implementation Date

All of the respondents who made a comment supported the recommended Implementation Date of 10 Working Days after the Authority's decision. One respondent, however, noted that the earliest possible Implementation Date was the most desirable, and another respondent noted that the proposed change would have minimal impact on Parties software systems and therefore the implementation date was reasonable.

### 7.4 Comments and views of the Panel

The Panel noted and considered the responses received to the consultation on the draft Modification Report.

[Further detail to be included after the Panel meeting on the 13 May 2004].

## 8 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

### 8.1 Analysis

As P166 seeks to enable the full realisation of P123, the scope of P166 and P123 are the same. For this reason the Transmission Company analysis carried out during the Assessment Procedure for P123 has been attached to this report for information (Annex 4). To summarise, the Transmission Company did not believe that any of its systems or processes would be impacted by P123.

## 9 IMPLEMENTATION APPROACH

The Panel recommends an Implementation Date of 10 Working Days after the Authority decision. This would provide sufficient time to make the required changes to the Code.

It is estimated that making the necessary changes to the Code will require 5 man days of ELEXON effort.

## 10 DOCUMENT CONTROL

### 10.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	16/04/04	Change Delivery	Tom Bowcutt (TAD Consultant) Sarah Parsons (TAD Manager)	Technical review
0.2	19/04/04	Change Delivery	Richard Hall (TAD Consultant)	Quality review
0.3	19/04/04	Change Delivery	Industry	Consultation
0.4	04/05/04	Change Delivery	Sarah Parsons	Technical review
0.5	04/05/04	Change Delivery	Thomas Bowcutt	Technical review
0.6	04/05/04	Change Delivery	Alex Grieve	Quality review
0.7	07/05/04	Change Delivery	The Panel	For Decision
1.0	20/05/04	Change Delivery	The Authority	For Determination

## 10.2 References

Ref	Document	Owner	Issue date	Version
1	P123 Final Modification Report	The Panel	15 August 03	Final/1.0
2	Panel Paper 71/023 'Operational Issue in Application of Section K: 'Classification and Registration of Metering Systems and BM Units''	BSCCo	10 January 2004	Final/1.0
3	P166 Initial Written Assessment	BSCCo	2 April 2004	Final/1.0

## ANNEX 1 DRAFT LEGAL TEXT

Draft legal text for Proposed Modification P166 is contained in Attachment 1.

## ANNEX 3 CONSULTATION RESPONSES

Consultation responses for Proposed Modification P166 are contained in Attachment 2.

## ANNEX 4 TRANSMISSION COMPANY ANALYSIS

The response made by the Transmission Company during the Assessment Procedure consultation for P123 is provided in full, as follows:

Q	Question	Response
1	Please outline any impact of the Proposed Modifications (and, if applicable, any Alternative Modifications) on the ability of the Transmission Company to discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated transmission system.	We believe that the implementation of P122 and P123 has no impact on the ability of the Transmission Company to discharge its obligations under the Transmission Licence.
2	Please outline the views and rationale of the Transmission Company as to whether the Proposed Modifications (and, if applicable, any Alternative Modifications) would better facilitate achievement of the Applicable BSC Objectives.	We believe that the two modifications better facilitate applicable BSC objective (c) namely "promoting effective competition in the generation and supply of electricity" by removing a barrier to certain Industrial and Commercial Suppliers.
3	Please outline the impact of the Proposed Modifications (and, if applicable, any Alternative Modifications) on the computer systems and processes of the Transmission Company, including details of any changes to such systems and processes that would be required as a result of the implementation of the Proposed Modifications (and, if applicable, any Alternative Modifications) P122 or P123.	There is no direct impact on our systems and processes as a result of the proposed modifications. We do not believe that there is a specific lead-time required for us to implement P122 or P123.
4	Please provide an estimate of the development, capital and operating costs (broken down in reasonable detail) which the Transmission Company anticipates that it would incur in, and as a result of, implementing the Proposed Modifications (and, if applicable, any Alternative Modifications).	None identified.
5	Please provide details of any consequential changes to Core Industry Documents that would be required as a result of the implementation of the Proposed Modifications (and, if applicable, any Alternative Modifications).	None identified.
6	Any other comments on the Proposed Modifications (and Alternative Modifications if applicable).	None.

## ANNEX 6 PARTY IMPACT ASSESSMENTS

The Party Impact assessments carried out during the Assessment Procedure consultation for P123 are included below. They have been cropped to show only the options (included in the P123 Assessment Report) that were chosen as the solution, and which was approved by the Authority when it made its determination on P123.

Organisation	Comments
<b>Rachael Gardener</b> Aquila Networks	No comment
<b>Dave Morton</b> LE Group Supply	<p><u>P123 Portfolio Change Options:</u></p> <p>Option 2: Timescale for implementation: <b>Immediate</b> Effort for ongoing operation: <b>Minimum</b></p> <p><u>P122/P123 Material Doubt Options:</u></p> <p>Option B: Timescale for implementation: <b>Immediate</b> Effort for ongoing operation: <b>Minimum</b></p>
<b>Ros Parsons</b> Npower Direct Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply Ltd	<p><u>P123 Portfolio Changes:</u></p> <p>Option 2: Timescale for implementation: <b>No impact</b> Effort for ongoing implementation: <b>5 man days per year</b></p> <p><u>P122/P123 Material Doubt Options:</u></p> <p>Option B: Timescale for implementation: <b>No impact</b> Effort for ongoing implementation: <b>No impact</b></p>
<b>Margaret Brunton</b> Npower Northern	<p><u>P123 Portfolio Changes:</u></p> <p>Option 2: Timescale for implementation: <b>No impact</b> Effort for ongoing implementation: <b>5 man days per year</b></p> <p><u>P122/P123 Material Doubt Options:</u></p> <p>Option B: Timescale for implementation: <b>No impact</b> Effort for ongoing implementation: <b>No impact</b></p>

## ANNEX 7 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. In order to give Stakeholders a feel for the estimated cost of implementing an Approved Modification the templates shown in Attachment 1 have 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:

<b>PROGRESSING MODIFICATION PROPOSAL</b>	
<b>Demand Led Cost</b>	This is the third party cost of progressing a Modification Proposal through the Modification Procedures in accordance with Section F of the Code. Service Provider Impact Assessments are covered by a contractual charge and so the Demand Led cost will typically be zero unless external Legal assistance or external consultancy is required.
<b>ELEXON Resource</b>	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.

<b>SERVICE PROVIDER<sup>5</sup> COSTS</b>	
<b>Change Specific Cost</b>	Cost of the Service Provider(s) Systems development and other activities relating specifically to the Modification Proposal.
<b>Release Cost</b>	Fixed cost associated with the development of the Service Provider(s) Systems as part of a release. This cost encompasses all the activities that would be undertaken regardless of the number or complexity of changes in the scope of a release. These activities include Project Management, the production of testing and deployment specifications and reports and various other standard release activities.
<b>Incremental Release Cost</b>	Additional costs on top of base Release Costs for delivering the specific Modification Proposal. For instance, the production of a Test Strategy and Test Report requires a certain amount of effort regardless of the number of changes to be tested, but the addition of a specific Modification Proposal may increase the scope of the Test Strategy and Test Report and hence incur additional costs.

<b>IMPLEMENTATION COSTS</b>	
<b>External Audit</b>	Allowance for the cost of external audit of the delivery of the release. For CVA BSC Systems Releases this is typically estimated as 8% of the total Service Provider Costs, with a tolerance of +/- 20%. At present the SVA Programme does not use an external auditor, so there is no External Audit cost associated with an SVA BSC Systems Release.

<sup>5</sup> A Service Provider can be a BSC Agent or a non-BSC Agent, which provides a service or software as part of the BSC and BSC Agent Systems. The Service Provider cost will be the sum of the costs for all Service Providers who are impacted by the release.

<b>Design Clarifications</b>	Allowance to cover the potential cost of making any amendments to the proposed solution to clarify any ambiguities identified during implementation. This is typically estimated as 5% of the total Service Provider Costs, with a tolerance of +/- 100%.
<b>Additional Resource Costs</b>	<p>Any short-term resource requirements in addition to the ELEXON resource available. For CVA BSC Systems Releases, this is typically only necessary if the proposed solution for a Modification Proposal would require more extensive testing than normal, procurements or 'in-house' development.</p> <p>For SVA BSC Systems Releases, this will include the management and operation of the Acceptance Testing and the associated testing environment.</p> <p>This cost relates solely to the short-term employment of contract staff to assist in the implementation of the release.</p>
<b>Additional Testing and Audit Support Costs</b>	Allowance for external assistance from the Service Provider(s) with testing, test environment and audit activities. Includes such activities as the creation of test environments and the operation of the Participant Test Service (PTS). For CVA BSC Systems Releases, this is typically estimated as £40k per release with at tolerance of +/-25%. For SVA BSC Systems Releases this is estimated on a Modification Proposal basis.

### 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

<b>ELEXON Operational Cost</b>	Cost, in man days per annum multiplied by project average daily rate, of operating the revised systems and processes post implementation.
<b>Service Provider Operation Cost</b>	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.

<b>Service Provider Maintenance Cost</b>	Cost quoted in £ per annum payable to the Service Provider(s) to cover the maintenance of the amended BSC Systems.
--	--