

ASSESSMENT REPORT for Modification Proposal P162 Changes to the definition of Imports and Exports

Prepared by: Settlement Standing Modification Group

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

RECOMMENDATIONS

The Settlement Standing Modification Group (SSMG) invites the Panel to;

- **AGREE that the Proposed Modification P162 should be made;**
- **AGREE a provisional Implementation Date for Proposed Modification P162 of 10 Working Days after an Authority decision;**
- **AGREE that Modification Proposal P162 be submitted to the Report Phase; and**
- **AGREE that the draft Modification Report be issued for consultation and submitted to the Panel Meeting of 10 June 2004.**

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¹ 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

CONTENTS TABLE

Summary of impacted parties and documents	4
1 Description of Proposed Modification and assessment against the Applicable BSC Objectives.....	5
1.1 Modification Proposal	5
1.2 Issues raised by the Proposed Modification	6
1.2.1 Previous ISG discussion of this issue.....	6
1.2.2 The definition of Imports and Exports within the Code	6
1.2.3 The Group's agreed metering principles	7
1.2.4 Perceived ambiguous clauses (1): K1.1.4	7
1.2.5 Per Party netting below the Boundary Point interpretation of clause K1.1.4.....	7
1.2.6 No per Party netting below the Boundary Point interpretation of clause K1.1.4	8
1.2.7 Multiple Parties below the Boundary Point.....	9
1.2.8 Facilitation of competitive supply below the Boundary Point.....	9
1.2.9 Group consensus of intention of clause K1.1.4.....	10
1.2.10 Suggested changes to Section K1.1.4	10
1.2.11 Perceived ambiguous clauses (2): K1.2.2	10
1.2.12 Interaction with P81.....	11
1.2.13 Logical testing of the draft legal text.....	11
1.3 Assessment of how the Proposed Modification will better facilitate the Applicable BSC Objectives	12
1.3.1 Applicable BSC Objective (c)	12
1.3.2 Applicable BSC Objective (d).....	13
1.4 Modification Group's cost benefit analysis of Proposed Modification	13
2 Costs	15
3 Rationale for Modification Group's recommendations to the Panel.....	16
4 Impact on BSC Systems and Parties	16
5 Impact on Code and documentation	16
5.1 Balancing and Settlement Code	16
5.2 Code Subsidiary Documents.....	16
5.3 BSCCo Memorandum and Articles of Association	17
5.4 Impact on Core Industry Documents and supporting arrangements.....	17
6 Summary of consultations.....	17
6.1 Modification Group's summary of the consultation responses	18
6.1.1 Current definition of Imports and Exports.....	18
6.1.2 Proposed definition of Imports and Exports	18
6.1.3 Applicable BSC Objectives.....	19
6.1.4 Other comments	19
6.2 Comments and views of the Modification Group.....	20
7 Summary of Transmission Company analysis	21
7.1 Analysis	21
7.2 Comments and views of the Modification Group.....	22
8 Summary of external advice.....	22
9 Document control	22
9.1 Authorities.....	22
9.2 References	22
Annex 1 Draft legal text	24
Annex 2 Modification Group details	24
Annex 3 Consultation responses	24

Annex 4	Transmission Company analysis.....	52
Annex 5	BSC Agent impact assessments.....	53
Annex 6	Clarification of costs.....	53
Annex 7	Terms of reference	56
Annex 8	Worked examples	57
a	Treatment of single exemptable Generating Unit attributable to single Party	57
b	Treatment of multiple exemptable Generating Units attributable to single Party.....	58
c	Treatment of multiple exemptable Generating Units attributable to multiple Parties	58
d	Treatment of single licensable Generating Unit attributable to single Party	59
e	Treatment of multiple licensable Generating Units attributable to single Party	59
f	Treatment of multiple licensable Generating Units attributable to multiple Parties	60
g	Treatment of single demand item attributable to single Party.....	60
h	Treatment of multiple demand items attributable to single Party	61
i	Treatment of multiple demand items attributable to multiple Parties.....	61
j	Treatment of mixed exemptable generation and demand items attributable to single Party	62
k	Treatment of mixed exemptable generation and demand items attributable to multiple Parties	62

SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the SSMG has been able to assess the following parties/documents have been identified as being potentially impacted by Modification Proposal P162.

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

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

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

1.1 Modification Proposal

P162 proposes to clarify the definition of Imports and Exports contained within Section K of the Code to ensure that it is consistent with the intention of its original drafting. P162 also seeks to ensure that Section K is consistent with current operational practice and the Codes of Practice.

Section K of the Code prescribes which Parties should be responsible for Imports and Exports to and from the Total System. It describes what Imports and Exports are: that they exist at a Boundary Point; are per Party concepts; and are direction specific. It further qualifies what Imports and Exports may be by relating such flows to particular items of Plant and Apparatus. In particular, references to Plant and Apparatus (from which flows arise) are taken to include customer's premises, third party generation, generating plant or an Interconnector. Furthermore, Section K also indicates that the net flow from a Generating Unit and its associated unit transformer load should be regarded as a single flow.

There are obligations on the responsible Parties to install metering to measure each of these flows. Subsequent obligations enable BM Units to be constructed applying aggregations where necessary of the resulting Metered Volumes.

Ambiguity in Section K may give rise to differing interpretations of how these rules address a number of particular situations. It could be argued that many existing Metering Systems may not be compliant with one interpretation of the Code despite following the rules defined in the Codes of Practice (CoPs).

The Proposer contends that if the perceived ambiguities were to remain, a number of participants may be faced with obligations to install significantly more Metering Systems than customarily required to enable BM Units to be adequately defined and quantified in Settlement.

The Proposer states that were the Modification to be made, the Code would better reflect the custom and practice for the identification of Imports and Exports and the consequent Metering System requirements. This would enable all Parties to be treated on an equitable basis and the potential need for changes to existing Metering System arrangements would be avoided.

It is argued that this would remove any possible discrimination between Parties and reduce potential barriers to entry, thereby facilitating the better achievement of Applicable Objective (c), 'Promoting effective competition in the generation and supply of electricity and (as far as is consistent therewith) promoting such competition in the sale and purchase of electricity.'

It is further contended that if the current Code drafting were to remain then any resultant additional Metering Systems and increases in the number of BM Units associated with certain sites would result in registration and Settlement processes being more complex without commensurate benefit. By removing this potential increase in complexity (and hence cost and risk), Applicable Objective (d), 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements' may be better facilitated.

The Proposer suggests that the implementation of this Modification would be expected to involve minimal cost, time and effort.

The Panel considered the Initial Written Assessment regarding P162 at its meeting on 12 February 2004, directing that it should enter a two month Assessment Procedure with an Assessment Report to be prepared for their meeting on 8 April 2004. The Panel further directed that an interim report (reference 4) should be prepared for its consideration at the intermediate Panel meeting, in order that further visibility was afforded with regard to the intent and scope of the Modification Proposal.

The SSMG (hereafter referred to as the Group) met three times to discuss P162, on 16 February, 25 February and 12 March 2004, and issued a consultation document for industry feedback on 2 March 2004.

The Group prepared an Assessment Report (v1.0 of this document) for the Panel's consideration at its meeting on 8 April 2004. The Panel directed that the Assessment Procedure should be extended by an additional month to further consider Transmission Company concerns regarding the clarity of the draft legal text and to provide assurance that the Group had adequately sense-checked legal text against a variety of example site set-ups. These actions were discharged via correspondence.

This Assessment Report (v2.0) reflects the Group's determinations on the P162 Modification Proposal, and additional information prepared in response to the request for further analysis that was made at the April 2004 Panel meeting.

1.2 Issues raised by the Proposed Modification

The following issues were considered during the Assessment of P162:

- Previous Imbalance Settlement Group (ISG) discussion of this issue;
- The definition of Imports and Exports within the existing Code;
- Agreed metering principles;
- Perceived ambiguous clauses K1.1.4 and K1.2.2;
- Whether per Party netting below the Boundary Point was intended or restricted;
- Treatment of multiple Parties below the Boundary Point;
- Facilitation of competitive supply below the Boundary Point;
- Interaction with P81;
- Logical testing of the draft legal text against example plant configurations;
- The clarity of the proposed legal text; and
- The issues listed in the Terms of Reference (see Annex 7)

1.2.1 Previous ISG discussion of this issue

The Group noted that concerns with regard to ambiguities in the definition of Imports and Exports set out in Section K of the Code have previously been discussed by the ISG in the context of information paper ISG/35/393, which was considered at their meeting on 16 December 2003.

This paper is available on the BSC Website at the following location: http://www.elexon.co.uk/ta/panel/isg/papers/035_0393.pdf ; with the minutes of this meeting available here: http://www.elexon.co.uk/docs/ta/panel/ISG/minutes/ISG_Minutes_35.pdf

1.2.2 The definition of Imports and Exports within the Code

The definition of Imports and Exports within the Code is contained within Section K. The key provisions are sub-sections K1.1 and K1.2 which set out what Imports and Exports are, and who is responsible for them, respectively.

The complete current Section K (version 14) is available on the BSC Website at the following location:

http://www.elexon.co.uk/docs/ta/bsc/bsc/v14/Section_K.pdf.

1.2.3 The Group's agreed metering principles

The Group discussed the underlying principles that they believed the definition of Imports/Exports within the Code was trying to encapsulate. These may be explained in the context of an example connection arrangement for a site comprising both demand (load) and an Exemptable Generating Plant Generating Unit. Sections 1.2.5 and 1.2.6 of this document outline the Metering Systems required for this arrangement under the contended alternative interpretations of Imports and Exports.

Depending on the circumstance, generation may be consumed by the load and/or 'spilt' onto the Total System. Any spill will be seen as Export energy through Boundary Point Metering Systems. Conversely, where demand exceeds generation this would be seen as Import through Boundary Point Metering Systems.

Separate metering is required for the Import and for the Export at the Boundary Point and each flow is attributable to a Party (which may be the same Party for both the Imports and Exports).

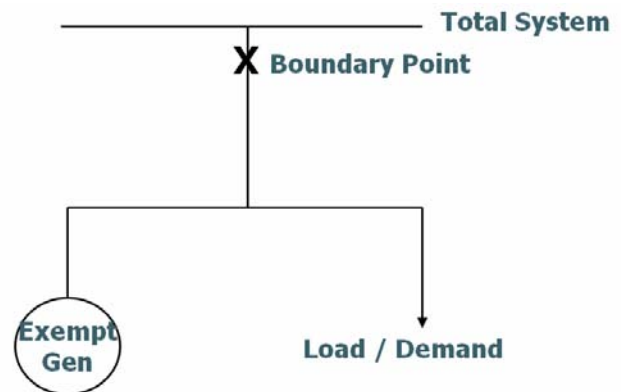


Figure 1: Example connection arrangement for a site comprising both demand (load) and generation

1.2.4 Perceived ambiguous clauses (1): K1.1.4

The Group considered that a significant cause of ambiguity is the reference to Exports or Imports being determined as those which would occur 'but for' any opposite flows of that Party at the same Boundary Point contained within clause K1.1.4(c).

It was considered that this reference could be construed as meaning that an Export or Import should be calculated as either that which is visible at the Boundary Point ('Per Party netting below the Boundary Point'); or that which would have been visible at the Boundary Point had there not been any flows in the opposite direction at that Boundary Point ('No per Party netting below the Boundary Point').

This clause additionally implies in K1.1.4(d) that single Imports or Exports should be determined for all Generating Units without reference to the scale of the Generating Unit.

The implications of these two interpretations are explained further in the next two sub-sections of this document.

1.2.5 Per Party netting below the Boundary Point interpretation of clause K1.1.4

The Group considered that an interpretation allowing per Party netting below the Boundary Point would regard K1.1.4 as concerned with establishing Imports and Exports at the Boundary Point and should not require any demand satisfied by Exemptable Generating Plant below the Boundary Point to be separately identified. Likewise, were there multiple Exemptable Generating Plant Generating Units below the Boundary Point attributable

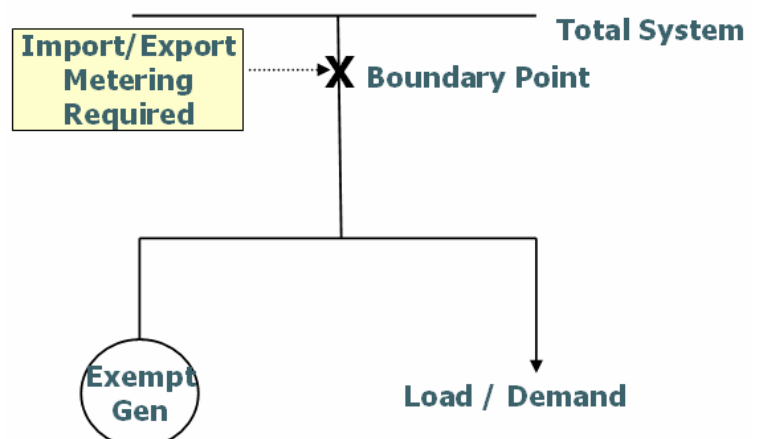


Figure 2: Per Party netting below the Boundary Point interpretation of K1.1.4

to the same Party these flows need not be separately identified.

Under this interpretation, Metering Systems would only be required at the Boundary Point and not for separate generation and demand items below the Boundary Point. This is illustrated in Figure 2.

The Group considers that the Metering Systems would record Exports and Imports independently at the Boundary Point. The Group considers that where a Party generates to meet its own demand below the Boundary Point, it should not be obligated to separately meter such generation and demand below the Boundary Point.

For the avoidance of doubt, P162 does not propose to modify the existing Code obligation for Exemptable Generating Plant Generating Units to be metered where a Party is elected as responsible for its Exports (pursuant to K1.2.2(a)(ii)).

This interpretation of K1.1.4 reflects conventional metering practices and is compliant with the CoPs.

1.2.6 No per Party netting below the Boundary Point interpretation of clause K1.1.4

The Group considers that one interpretation of K1.1.4(c) would mean that the flow to be determined at a Boundary Point is that which would have occurred had there been no flows in the opposite direction.

This interpretation would mean that a flow from an Exemptable Generating Plant would have reached the Boundary Point in its entirety only when no demand is to be considered.

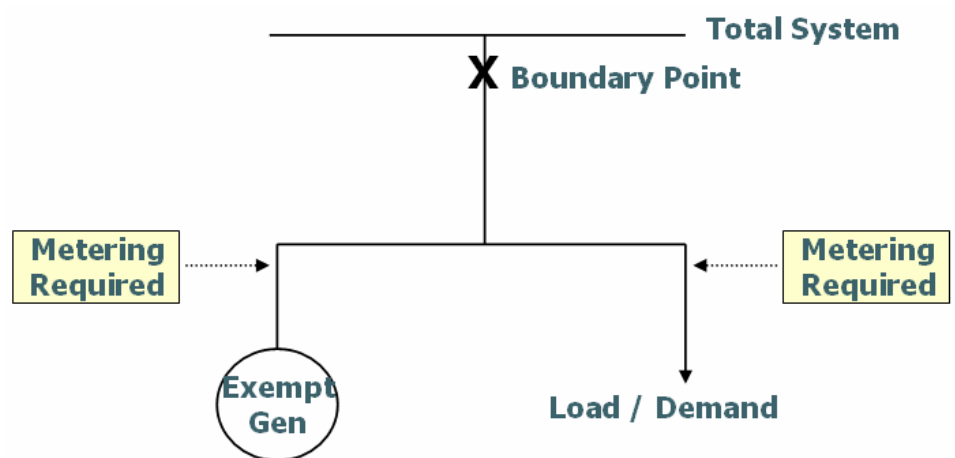


Figure 3: No per Party netting below the Boundary Point interpretation of K1.1.4

This could only be achieved through measuring both the Generation Unit and the demand below the Boundary Point.

The separate measurement of both Generation Unit and demand below the Boundary Point would require separate metering for both flows, as shown in Figure 3.

Each Metering System may be associated with Current and Voltage Transformers (CT/VTs), which will add significant costs to any additional metering.

The costs associated with CT/VTs can significantly exceed the cost of the metering, and are greatest where the voltage of the circuit being measured is largest.

This interpretation is not in accordance with current practices or the CoPs and would have serious commercial consequences for Parties due to the necessitation of additional Metering Systems.

1.2.7 Multiple Parties below the Boundary Point

The Group does not consider that flows from Exemptable Generating Plant Generating Units need be individually metered but that flows from sizeable Generating Units – Licensable Generating Plant – should be in order that they continue to form the basis for BM Units constituting a significant flow to the Total System.

To illustrate how this would flow through to metering requirements, Figure 4 shows a combination of Exemptable Generating Plant belonging to one Party and Load/Demand attributable to another. The metering required would be to separately measure the flows at the Boundary Point attributable to

Party 1 from those attributable to Party 2, facilitated by a Metering System on the Boundary Point. It should be noted that Party 1 and Party 2 may wish to install additional Metering Systems below the Boundary Point for non Settlement reasons - in order to establish what proportion of Party 1's demand is met by Party 2's generation - but that this is not prescribed by the legal drafting as such flows are entirely below the Boundary Point.

Figure 4 is reflective of current practices and the CoPs.

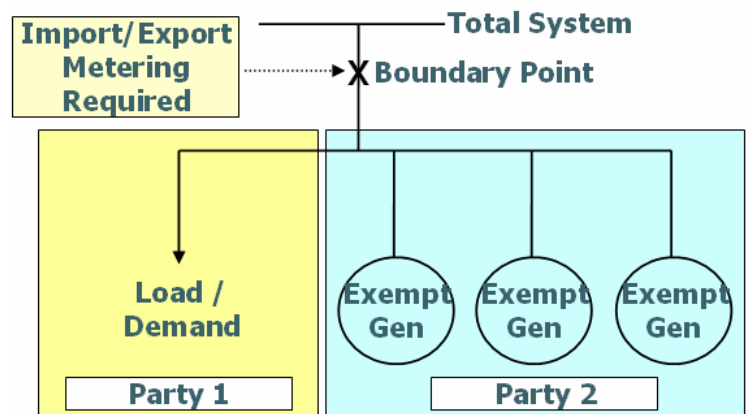


Figure 4: Example of metering arrangement where multiple Parties below the Boundary Point including Exemptable Generating Plant

1.2.8 Facilitation of competitive supply below the Boundary Point

The Group considered at length whether the Code may have been intentionally drafted so as to promote competition of supply below the commercial boundary by necessitating separate metering for both generation and demand even where the same Party is responsible for both Imports and Exports. Thus enabling the total demand to be eligible to competitive supply.

The Group considered that such metering is unnecessary for Settlement purposes. The Group further considered that the principle of netting of flows below the commercial boundary exists for demand circuits and should prevail in situation where generation exists.

The Group did not consider that it would be appropriate to obligate a Party to put in additional metering to break down the individual components of its flows below the Boundary Point where such metering would not add value to Settlement.

The metering required to establish Imports or Exports at the Boundary Point to meet the per Party netting interpretation detailed in section 1.2.5 of this document where generation outweighed demand, or where demand outweighed generation, is shown in Figures 5 and 6 respectively.

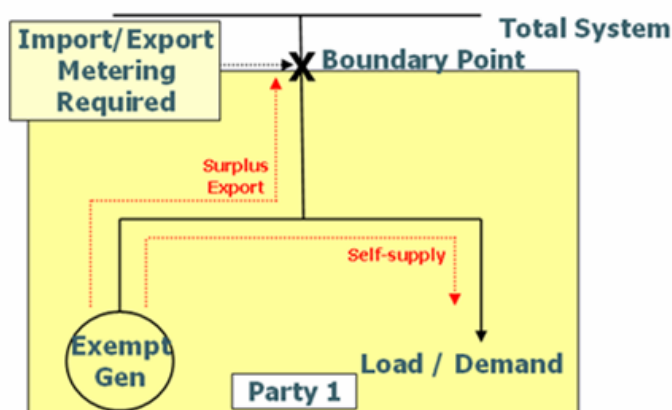


Figure 5: Self-supply below Boundary Point, with surplus Exported

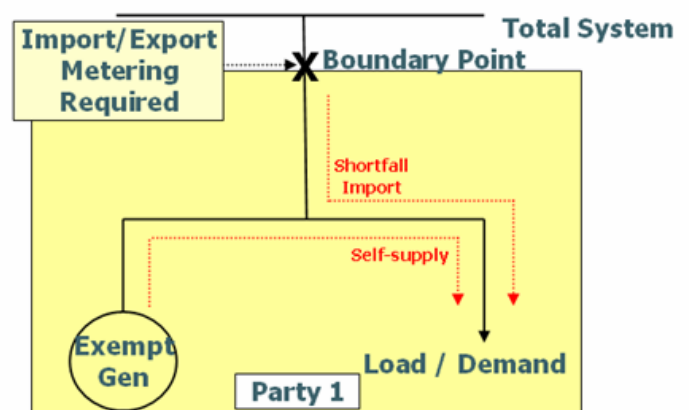


Figure 6: Self-supply below Boundary Point, with shortfall Imported

The Group noted that the absence of such metering does not prohibit the entry of an additional Party below the Boundary Point. In such a circumstance, obligations exist under Section L of the Code for quantities of Active Energy and, where relevant, Reactive Energy Exported or Imported by any Party at a Boundary Point to be measured and recorded. Any additional Party would be able to provide generation or demand below the Boundary Point provided they met the requirement to ensure appropriate metering is in place to independently measure their Imports and Exports – although it is acknowledged that costs would be incurred by this additional Party in order to put such metering in place.

The Group is therefore minded that competitive supply below the Boundary Point is not prohibited by P162.

1.2.9 Group consensus of intention of clause K1.1.4

The Group considers that the intention of sub-clause K1.1.4(c) was to prohibit the netting of Boundary Point flows - not to prohibit the netting of flows below it where these are attributable to the same Party and do not relate to a Generating Unit that individually constitutes, or is capable of constituting a Licensable Generating Plant.

The Group agreed that the intention of sub-clause K1.1.4(d) was to obligate that the flow associated with a Generating Unit that individually constitutes, or is capable of constituting a Licensable Generating Plant to be separately identified. Where such a Generating Unit has an associated unit transformer, the combined flows of the two may be netted. Both of these requirements are shown in Figure 7.

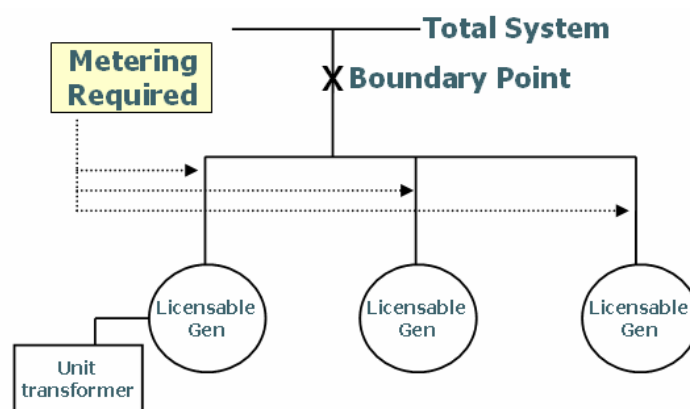


Figure 7: Example of metering arrangement where Licensable Generating Plant Generating Units

1.2.10 Suggested changes to Section K1.1.4

The Group believes Section K1.1.4 should be amended to clarify that separate flows relating to the same Party below the Boundary Point need not be separately measured where they relate to Customer premises and Exemptable Generating Plant. Where Licensable Generating Plant is present, the flows from each Generating Unit, net of the unit transformer (if any), would need to be identified in order to allow these to form BM Units, pursuant to Section K3.1 of the Code.

The Group believes the draft legal text contained within Appendix 1 of this document will fulfil this purpose.

1.2.11 Perceived ambiguous clauses (2): K1.2.2

The Group has considered the suggestion within the Modification Proposal that K1.2.2 would also require amendments.

The Group considers that this suggestion was intended to ensure that where there is Exemptable Generating Plant within a Supplier premises that any given Export or Import can be correctly attributed to the Party responsible. The suggestion was that this would be achieved by building into the defined categories of Parties responsible for Exports or Imports additional definitions that covered sites containing a mixture of Supply and Exemptable Generating Plant.

The Group has determined that no changes are required to K1.2.2, as the existing definitions already catered for such circumstances in a clear fashion through the separate definitions of responsibility for Exports from Exemptable Generating Plant (K1.2.2(a)(ii)) and of responsibility for Imports to supply premises connected to the Total System (K1.2.2(b)(i)).

1.2.12 Interaction with P81

Pursuant to a Panel request, the Group has considered whether there is any interaction between P162 and Approved Modification P81, 'Removal of the requirement for Half Hourly Metering on Third Party Generators at Domestic Premises', with specific regard to identifying responsibility for establishing an Export Metering Point Administration Number (MPAN) where an Import MPAN has been established.

The Group understands this request results from a specific exemption in the current Code baseline that allows for no Party to be responsible for the Export from Exemptable Generating Plant, unless the person responsible for generation at such site elects for a Party to be responsible². In the absence of such an election, no Party would be considered responsible for any Export from such site. This means that not all Exports are metered.

The Group does not believe there is a direct interaction between P162 and Approved Modification P81 as P162 seeks to clarify current responsibilities rather than add additional ones. Furthermore, P162 does not suggest changes to the responsibilities for Exports attributable to Exemptable Generating Plant. The Group did not therefore consider it within its remit to consider such changes in its deliberations on P162.

It should be noted that this conclusion in no way pre-judges whether or not a defect exists relating to the responsibility for Exports from Exemptable Generating Plant.

1.2.13 Logical testing of the draft legal text

In its initial consideration of the P162 Assessment Report (v1.0) at the April 2004 meeting, the Panel requested the Group provide further assurance that the draft legal text had been logically tested against different site scenarios, and confirmed to correctly give effect to the intent of the Proposed Modification.

Annex 8 of this document shows a number of worked examples providing scenarios by which the draft legal text may be logically tested against a wide variety of combinations of licensable and exemptable generation and demand possibilities at a Boundary Point, both where these items are attributable to only one Party or to multiple Parties. These should not be taken to be a definitive statement of possible site types as the Code makes no restrictions on the combination of generation and demand assets, or the number of Parties, who may be responsible for Imports and Exports at a single Boundary Point.

In each case where an Exemptable Generating Plant is shown, it is assumed that a Party has accepted responsibility for the generation at that Generating Plant. This is because if the person which generates electricity at an Exemptable Generating Plant does not elect for a Party to accept responsibility for its flows, the Code does not consider that an Export has taken place, pursuant to K1.2.2(a)(ii).

The determination of what is, or is not, Licensable Generating Plant is that:

- Licensable Generating Plant means Generating Plant which is Licensable as defined in Section K1.2.2 of the Code;

² Pursuant to Code sub-clause K1.2.2(a)(ii)

- K1.2.2 states that Generating Plant is "Exemptable" Generating Plant where the person generating electricity at that Generating Plant is, or would (if it generated electricity at no other Generating Plant and/or did not hold a Generation Licence) be, exempt from the requirement to hold a Generation Licence and that Generating Plant which is not Exemptable is "Licensable" Generating Plant;
- The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 (available on the internet here: <http://www.hmso.gov.uk/si/si2001/20013270.htm>) details exclusions from the requirement for a Generation Licence; and
- Generating Plant means an installation comprising one or more Generating Units (even where sited separately), other than an Interconnector, owned and/or controlled by the same person, which may reasonably be considered as being managed as one power station.

The P162 legal drafting applies exemption thresholds at a Generating Unit level. It provides that Generating Units that may provide more than 50MW electrical power at any time should be considered as a single Export or Import per Generating Unit (i.e. a 1:1 relationship between a flow and >50MW Generating Unit). Multiple Generating Units that each do not at any time provide more than 50MW may be aggregated into a single Export or Import, where they are attributable to the same Party at the same Boundary Point (i.e. a 1:1/many relationship between a flow and <50MW Generating Unit(s)). The purpose of this is to ensure that where multiple <50MW Generating Units combine to create a Licensable Generating Plant, such as may occur at a wind farm for example, that the output of each individual Generating Unit does not constitute a discrete Export thereby requiring separate metering.

The Group has reviewed the draft legal text against each example and has confirmed their agreement that it gives effect to the intent of P162 accordingly.

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

The Proposer contended that P162 will better facilitate the following Applicable BSC Objectives:

- (c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity; and
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

The Group has considered whether P162 better facilitates the above, and has reached the following conclusions:

1.3.1 Applicable BSC Objective (c)

The Group agrees that the current definition of Imports and Exports is unclear and that this may result in it being interpreted in several different fashions. The Group further agrees that different interpretations of the definition of Imports and Exports would require different levels of Metering Systems to be installed, with associated costs.

The Group considers that the potential that different Parties could incur different costs resulting from different perceptions of Code obligations could not be considered to be in the interests of promoting effective competition in the market.

The Group agrees that where definitions within the Code may be subject to multiple interpretations this increases risks to market participants through uncertainty on what obligations exist. The Group believes increased market certainty in the definition of Imports and Exports would be advisable.

The Group does not perceive any benefits to Settlement integrity from the additional Metering Systems required under the more onerous interpretation of the Code, and that the potential accrual of costs without benefits was also inconsistent with promoting an efficient market.

The Group believes that small scale generation would be particularly badly hit with such costs were the Code to be interpreted as requiring separate metering for all Generating Units below the Boundary Point, regardless of scale. This could undermine the ability of renewable energy sources to participate in the market.

The Group therefore considers that a clear legal baseline that obviated the risk of unnecessary costs being incurred by subsets of the market would result in the better facilitation of Applicable BSC Objective (c).

1.3.2 Applicable BSC Objective (d)

The Group notes that additional Metering System requirements required by the more onerous interpretation of the Code would result in additional Metering System registrations, BM Unit registrations and more complex Aggregation Rules. This would impact upon BSC systems and processes and performance.

The Group also notes that lack of clarity in Code obligations may result in BSCCo inefficiencies resulting from a greater provision of support to Parties seeking advice on what their obligations are.

The Group therefore considers that P162 would result in the better facilitation of Applicable BSC Objective (d).

1.4 Modification Group's cost benefit analysis of Proposed Modification

The only costs identified during the Assessment Procedure as resulting from the implementation of P162 would be those associated with modifying the legal text in section K of the Code.

These costs are estimated at 5 man days, equating to £2,000, and are detailed in Section 2 of this document.

The Group considers that these costs are minimal, and that consequently the benefit threshold P162 needs to pass in order to provide value-for-money is also minimal.

The benefits perceived as accruing from P162 are detailed in the Group's assessment against the Applicable BSC Objectives in section 1.3 of this document.

The principle benefit perceived by the Group is removal of the potential that Parties may unnecessarily install additional meters (plus associated voltage or current transformers (CT/VTs) where required) to meet the more onerous interpretation of the current Code that is detailed in section 1.2.6 of this document.

It is not known how many additional installations may have been inadvertently installed, or could be additionally required, in order to meet the more onerous interpretation. It is however possible to derive estimates of the typical costs of metering equipment associated with different CoPs.

Table 1 shows BSCCo estimations of approximate costs for implementing one Metering System, plus appropriate CT/VTs (where required), at a single feeder for different types of sites. These are based upon estimations of average costs per type.

Costs indicated for high voltage³ circuits assume that the existing switch gear can accommodate additional CT/VTs. No installation, maintenance or data communication costs are included.

³ High voltage is taken to mean a voltage exceeding 1,000 volts AC.

Table 1: Estimated cost of metering equipment required to meet different CoPs

	Code of Practice governance	Cost of Meter(s)	Cost of CTs	Cost of VT	Cost of Integrated CT/VT Unit	Cost of Outstation	Total cost for equipment
Domestic Import (Low voltage ⁴)	CoP 8	£6 - 30	-	-	-	-	£6 - 30
Domestic Import / Export (Low voltage)	CoP 9	£20 - 30	-	-	-	-	£20 - 30
Small Industrial / Commercial (Low voltage – 11kV (high voltage))	CoP 5	£120	£25 - 50	£2,000	-	-	£145 - £ 2,170
Medium Industrial / Commercial (high voltage: 11kV – 33kV)	CoP 3	£240	£25 - 50	£2,000	-	-	£265 – £ 2,290
Large Industrial / Commercial (high voltage: 33kV – 132kV)	CoP 2	£450	£50 - 100	£2,000	£6,000 – £8,000	£1,200	£2,500 - £9,750
GSP / Power Station (high voltage: 132kV - 400kV)	CoP 1	£1,000	-	-	£12,000	£2,400	£15,400

The cost of implementing P162 would appear to be exceeded by the cost of installing a minimal number of new meters (potentially as few as one, dependent on the nature of the site).

The Group considers it likely that a considerable number of sites would require additional Metering Systems to meet to meet the more onerous interpretation of the current Code that is detailed in section 1.2.6 of this document. The Group therefore believes that the benefit of P162 – avoiding these costs potentially being unnecessarily incurred - would be well in excess of the implementation cost.

⁴ Low voltage is taken to mean a voltage of between 50 and 1,000 volts AC.

2 COSTS⁵

PROGRESSING MODIFICATION PROPOSAL

Demand Led Cost	£ 0
ELEXON Resource	45 Man days (equating to approximately £9,760)

IMPLEMENTATION COSTS

		Stand Alone Cost	P162 Incremental Cost	Tolerance
Service Provider⁶ Cost				
	Change Specific Cost	£ 0	£ 0	+/- 0% (£ 0)
	Release Cost	£ 0		+/- 0% (£ 0)
	Incremental Release Cost	£ 0	£ 0	+/- 0% (£ 0)
	Total Service Provider Cost	£ 0	£ 0	+/- 0% (£0)
Implementation Cost				
	External Audit	£ 0	£ 0	+/- 0% (£ 0)
	Design Clarifications	£ 0	£ 0	+/- 0% (£ 0)
	Additional Resource Costs	£ 0	£ 0	+/- 0% (£ 0)
	Additional Testing and Audit Support Costs	£ 0		+/- 0% (£ 0)
Total Demand Led Implementation Cost		£ 0	£ 0	+/- 0%

ELEXON Implementation Resource Cost		5 Man days £ 2,000	5 Man days £ 2,000	+/- 10% +/- £ 200
Total Implementation Cost		£ 2,000	£ 2,000	+/- 10%

⁵ Clarification of the meanings of the cost terms in this section can be found in annex 7 of this report

⁶ BSC Agent and non-BSC Agent Service Provider and software Costs

ONGOING SUPPORT AND MAINTENANCE COSTS

	Stand Alone Cost	P162 Incremental Cost	Tolerance
Service Provider Operation Cost	£ 0 per annum	£ 0 per annum	+/- 0% (£ 0)
Service Provider Maintenance Cost	£ 0 per annum	£ 0 per annum	+/- 0% (£ 0)
ELEXON Operational Cost	£ 0 per annum	£ 0 per annum	+/- 0% (£ 0)

3 RATIONALE FOR MODIFICATION GROUP'S RECOMMENDATIONS TO THE PANEL

For the reasons detailed in Section 1.4, the Group believes P162 will better facilitate achievement of both Applicable BSC Objective (c) and (d).

The Group notes that the requirements for implementation would be to put in place modified legal drafting and that BSCCo estimates are that this could be achieved within 10 Working Days from an Authority decision.

The Group therefore invites the Panel to:

- AGREE that the Proposed Modification P162 should be made;
- AGREE a provisional Implementation Date for Proposed Modification P162 of 10 Working Days after an Authority decision;
- AGREE that Modification Proposal P162 be submitted to the Report Phase; and
- AGREE that the draft Modification Report be issued for consultation and submitted to the Panel Meeting of 10 June 2004.

4 IMPACT ON BSC SYSTEMS AND PARTIES

An assessment has been undertaken in respect of BSC Systems and Parties and no areas have been identified as potentially being impacted by the Proposed Modification.

5 IMPACT ON CODE AND DOCUMENTATION

5.1 Balancing and Settlement Code

Section K of the Code will require amendment to reflect the clarified definition of Imports and Exports.

5.2 Code Subsidiary Documents

No changes to Code Subsidiary Documents have been identified.

5.3 BSCCo Memorandum and Articles of Association

No changes to the BSCCo Memorandum and Articles of Association have been identified.

5.4 Impact on Core Industry Documents and supporting arrangements

No impact upon Core Industry Documents and supporting arrangements have been identified.

6 SUMMARY OF CONSULTATIONS

Q.	Consultation question	Respondent agrees	Respondent disagrees	No opinion expressed
1.	Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous?	7(33)	3(19)	1(1)
2.	If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'?	Did not answer yes to Q1:		4(20)
		'No Per Party netting below the Boundary Point':		0
		'Per Party netting below the Boundary Point':		7(33)
		No opinion expressed:		0
3.	If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'?	Did not answer no to Q1:		8(34)
		'No Per Party netting below the Boundary Point':		2(13)
		'Per Party netting below the Boundary Point':		1(6)
		No opinion expressed:		0
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'?	9(49)	1(3)	1(1)
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	7(33)	2(16)	2(4)
6.	Do you believe that this definition is compatible with new Generating Units?	8(39)	0(0)	3(14)
7.	Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives? Please state objective(s)	8(39)	1(10)	2(4)
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered?	3(15)	7(37)	1(1)

9.	Are there any further comments on P162 that you wish to make?	3(14)	7(38)	1(1)
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6.1 Modification Group's summary of the consultation responses

6.1.1 Current definition of Imports and Exports

7 respondents (33 Parties) believe the current definition of Imports and Exports is ambiguous, with 3 respondents (19 Parties) disagreeing with this proposition. Those who believed the current definition was ambiguous expressed a similar rationale for doing so – that there are multiple interpretations of the Code. Of those who disagreed: one respondent (10 Parties) felt the wording was clear but may represent a manifest error if it was not perceived as giving effect to the intent of the provisions; one respondent (3 Parties) acknowledged that some ambiguity existed but considered that the scope of P162 went beyond removing ambiguity; and one respondent (6 Parties) believed that the Code is currently clear, cautioning that P162 should not result in ambiguity in its own right.

Of those who believe the current definition is ambiguous, there was unanimous agreement that the intent of these clauses is to give effect to per Party netting below the Boundary Point. Opinions expressed in support of this view were that: the Code should only be interested in flows at the Boundary Point where one Party is attributable for these flows; that competition would be hampered without benefit to Settlement accuracy from requiring additional metering beyond this; that per Party netting below the Boundary Point is already allowed and reflected in current practices; and that this interpretation is consistent with the existing approach to the treatment of non-licensable generators.

Consistency of opinion did not exist amongst those who believed the Code was currently clear, with 1 respondent (6 Parties) stating that it clearly gave effect to per Party netting below the Boundary Point and 2 respondents (13 Parties) that it clearly gave effect to no per Party netting below the Boundary Point. The respondent who believed the Code clearly gave effect to per Party netting below the Boundary Point believes it correctly reflects the requirement to trade on a gross basis at the Boundary Point, and is silent on netting of flows below the Boundary Point. Those who believed it gave effect to no per Party netting below the Boundary Point expressed differing rationales for this view. 1 respondent (10 Parties) expressed an opinion that per Party netting below the Boundary Point may have actually been intended but that the current legal text gave effect to no per Party netting below the Boundary Point. The other respondent (3 Parties) believes no Per Party netting below the Boundary Point was intended in order to allow exports and imports to be individually distinguished outside the requirements of Settlement.

6.1.2 Proposed definition of Imports and Exports

9 respondents (49 Parties) agreed with the opinion of the Group that the definition of Imports and Exports should allow for per Party netting below the Boundary Point. Rationales expressed in support of this position frequently referred across to answers to earlier or later questions with a common theme that this reflected the current arrangements to which change would not be justified. One respondent (14 Parties) commented that P162 would result in the alleviation of risks that unforeseen requirements could be placed on Parties in the future, by resulting in a clear legal baseline. One respondent (10 Parties) put forward a 'Qualified Yes' to this question. They agreed that per Party netting below the Boundary Point should be allowed provided it did not inhibit competition but felt the suggested legal text failed to achieve this correctly, asking whether appropriate apportionment of Imports and Exports at the Boundary Point to Parties is what was actually required. The rationale of the respondent (3 Parties) who did not support the concept of per Party netting below the Boundary Point is detailed in an addendum to their submission. This addendum suggests that reduced transparency of generation capability and performance; avoidance of individual Generating Unit metering costs by some

generators; avoidance of individual Generating Unit data transmission to the Transmission Company by some generators; and disparities in exposure to Trading Charges would result from P162.

7 respondents (33 Parties) agreed that the draft legal text clearly gave effect to per Party netting below the Boundary Point, with 2 respondents (16 Parties) disagreeing. One respondent (10 Parties) who disagreed believed that the current drafting was incompatible with Supplier Volume Allocation (SVA) arrangements, contending that significant changes to metering and data collection functionality would be required to implement the suggested legal text.

All respondents who expressed an opinion believed the P162 definition of Imports and Exports is compatible with new Generating Units. Feedback on this question was limited, but generally suggestive that respondents had not identified Generating Unit configurations that would not appropriately fit within the definition put forward.

6.1.3 Applicable BSC Objectives

8 respondents (39 Parties) believed P162 would better facilitate the achievement of the Applicable BSC Objectives, with one respondent disagreeing (10 Parties). Views of those who agreed shared a common theme of alleviating potential unnecessary industry costs and reducing administrative complexity – thereby better facilitating Applicable BSC Objectives (c) and (d) respectively. The respondent who disagreed believed that P162 created complicated and costly new problems for SVA metering, which would prevent it from better facilitating either of these objectives.

6.1.4 Other comments

Three respondents (15 Parties) identified further issues that they felt the Group had not identified and should be considered. One (2 Parties) suggested that where both Export and Import are present at a Boundary Point it should not be energised until responsibilities, if required, are established for both Import and Export components, although it was acknowledged that this is outside the scope of P162. One (10 Parties) suggested that the impacts on SVA systems and processes required further consideration and that aggregation to a Party level could be argued to be discriminatory where there are Parties with multiple Supplier IDs. One (3 Parties) provided a separate addendum detailing concerns they have with regard to the effect of P162. This addendum suggests that reduced transparency of generation capability and performance; avoidance of individual Generating Unit metering costs by some generators; avoidance of individual Generating Unit data transmission to the Transmission Company by some generators; and disparities in exposure to Trading Charges would result from P162.

Three respondents (14 Parties) made further comments with regard to P162. One (3 Parties) commented that the intent of the proposal appears to be to reduce the burden on prospective Parties connected in Scotland in order to avoid discrimination between them and Parties in England and Wales resulting from the metering configurations required to meet a demanding legal baseline. This respondent contends that reduction in requirements for metering would represent a retrograde step in the development of the industry, and that individual dispensations would be a more appropriate route to address such cases. One respondent (10 Parties) questioned whether an assumption was being made that compliance with one Code, or Code Subsidiary Document, requirement removed the need to comply with others⁷. One respondent (1 Party, also functioning as the Transmission Company) that does not believe that P162 would impact upon its ability to discharge its obligations under the Transmission Licence in the current environment, noted that expansion in exemptable generation could

⁷ It should be noted that H1.5 of the Code details that in the event of any conflict between the provisions of the Code and the provisions of any Code Subsidiary Document, such as a CoP, the provisions of the Code shall prevail. It is not suggested that compliance with one obligation in the Code removes the need to be compliant with other obligations, but that in the event of conflicting obligations between the Code and the CoPs then the former must prevail.

result in P162 affecting Transmission Company operational practices in future. Such an increase in exemptable generation could result in a requirement for the Transmission Company to have greater visibility of Metered Volumes accruing to such sites. The respondent flags up the potential that future amendments to this section of the Code may be required as the market evolves, but recognises that this is outside the scope of P162.

6.2 Comments and views of the Modification Group

The Group noted that the majority of consultation responses were aligned with their views, with majority support for the principle of per Party netting below the Boundary Point; the appropriateness of this definition to new Generating Units and the better facilitation of Applicable BSC Objectives.

The Group focused their discussions on those responses who suggested concerns about the legal text or the desirability of the Proposed Modification in order to ascertain whether any fresh issues or unforeseen problems had been highlighted.

The Group considered that three responses (19 Parties) expressed such concerns. Two of these respondents (16 Parties) were considered to be supportive of the principle of P162, but in disagreement with the way the legal text gave effect to it. The remaining respondent (3 Parties) was considered to be against the principle of P162.

The two respondents expressing concerns with the legal text aired a range of issues. One (6 Parties) suggested that what at the Boundary Point means, and that flows below the Boundary Point can be netted, should be clearly embodied in the legal text, even if this specific terminology cannot be used. The respondent did not feel this had been clearly achieved. The other respondent (10 Parties) who disagreed believed that the current drafting was incompatible with SVA arrangements, contending that significant changes to metering and data collection functionality would be required to implement the suggested legal text.

The Group acknowledged the importance of clarity in the P162 legal text and recognised that the issue of how the netting of flows is achieved within this is highly important. The Group believes it is possible that the legal text consulted upon may have been interpreted by a minority of respondents as requiring that Imports and Exports occurring at the Boundary Point be netted against each other at the Boundary Point prior to submission into Settlement. The Group believes more generally that this is the cause of concerns raised by one respondent, both against the legal text and elsewhere in their responses, that P162 would not be compatible with current SVA arrangements.

The Group is agreed that this is not the intent of P162 and is further agreed that changes to current SVA arrangements should not be necessitated through the legal text. Gross metering at the Boundary Point would still be required to separately identify Imports and Exports – the netting reference contained in K1.1.4(d)(i) of the draft legal text consulted upon was simply intended to reflect that these flows would be the result of net flows below the Boundary Point, not that they would be netted there. The Group acknowledged that potential for ambiguity in the legal text should be avoided and therefore that the legal text should be modified further to ensure the concept was more clearly defined. Modified draft legal text agreed by the Group is contained within Annex 1 of this document.

The Group considered at considerable length the arguments put forward by the respondent (3 Parties) who disagreed that per Party netting below the Boundary Point should be allowed.

It was noted their response suggested that dispensations against the CoPs might be a more appropriate mechanism for dealing with sites which were not in accordance with the current Code, were it to be interpreted in a fashion which required no Per Party netting below the Boundary Point. The Group does not agree that this would be possible on grounds of either principle or practicality. There may be thousands of sites that would require dispensations under the more onerous reading of the Code and the practical logistics of managing this process via a Panel sub committee would not be

regarded as compatible with Applicable BSC Objective (d). More importantly still, the CoPs are Code Subsidiary Documents and as such dispensations against them cannot be used to overrule Code obligations.

The Group noted that the respondent questioned the lack of cost visibility in the consultation document but re-iterated its belief that P162 should not result in material costs as it gave effect to the status quo, rather than to a changed commercial environment. No BSCCo or BSC systems and process changes have been identified during the Assessment Procedure and the cost of implementation should be limited to that of putting in place modified legal text. The Group noted that a circumstance where significant costs related to meeting the definition of Imports and Exports might arise if both P162 were rejected and a future determination was reached that the current baseline should be interpreted as requiring no per Party netting below the Boundary Point. In such a circumstance, Parties would need to consider installation, maintenance and monitoring of a significantly larger number of Metering Systems than would normally be customary in order to be Code compliant.

A Group member who sits on the ISG challenged the assertion by the respondent that the ISG had noted a previous information paper on this issue with 'little discussion' suggesting that it had been subject to reasonable debate, with P162 raised in response to these discussions.

The Group noted that the respondent suggested that the intent of P162 appeared to be to ensure the Code compliance of some Scottish generation that would enter the trading arrangements under BETTA. The Group has not explicitly considered BETTA issues as it does not have remit to do so, but notes that views on this issue may be sought by the Authority as it consults upon the GB BSC.

The respondent also suggests that P162 would result in an inappropriate loss of visibility of the behaviour of Generating Units below the Boundary Point by allowing the aggregation of multiple licensable Generating Units into single Exports or Imports, resulting in discrimination against subsets of the generation community not so favoured. The Group does not concur that this interpretation of P162 may be reached and feels that this is clearly prohibited. The suggested legal text puts in place restrictions that ensure that Generating Units individually capable of constituting Licensable Generating Plant must continue to be separately identified. The Group noted that the Transmission Company has indicated comfort with the approach being addressed to ensure visibility on such Generating Units is maintained and does not believe the issue raised is a valid concern.

The Group agrees with the respondent that the Code 'requires measurement of Export and Import by a Party at a Boundary Point at a gross level rather than a net level' and re-iterates that Boundary Point flows would continue to be measured gross, based upon the result of net flows below the Boundary Point.

7 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

7.1 Analysis

The Transmission Company does not believe that P162 would impact on its ability to discharge its obligations under the Transmission Licence in the current environment. It notes that this situation may change in future should levels of embedded/exemptable generation expand, and that any such changes may require additional Code modifications.

The Transmission Company believes P162 better facilitates Applicable BSC Objective (c) by reducing the risk of unnecessary expenditure by certain new entrants to the market. It believes P162 also better facilitates Applicable BSC Objective (d) by clarifying the obligations in the Code for entrants and supporting the effective operation and administration of the registration process.

P162 is not believed to require changes to the Transmission Company's computer systems and processes, and no development, capital or operating costs have been identified that would result from its implementation.

No consequential changes to Core Industry Documents that would result from the implementation of the Proposed Modification have been identified.

The Transmission Company further comments that whilst they are supportive of the Group's approach to clarify the obligations relating to unlicensed/exemptable plant, they believe it is important to maintain the Code requirement for metering individual Generating Units at Licensable Generating Plants. It is acknowledged that the Modification Group has considered this need in its discussions⁸.

The Transmission Company analysis is appended to this document as annex 4.

7.2 Comments and views of the Modification Group

The Group acknowledges that the support of the Transmission Company is based on a clear requirement for metering at an individual Generating Unit level for Licensable Generating Plant to be retained. The Group is supportive of this requirement and believes this linkage is catered for within the draft legal text.

8 SUMMARY OF EXTERNAL ADVICE

The Group did not request or consider external consultancy advice during the course of its considerations.

9 DOCUMENT CONTROL

9.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	16/03/04	Change Delivery	Change Delivery	Technical review
0.2	18/03/04	Change Delivery	SSMG	Group review
0.3	29/03/04	Change Delivery	Change Delivery	Final technical review
0.4	30/03/04	Change Delivery	Change Delivery	Final quality review
1.0	01/04/04	Change Delivery	Panel	For Panel Decision
1.1	23/04/04	Change Delivery	Change Delivery / SSMG	Technical & Group review
1.2	29/04/04	Change Delivery	Change Delivery / SSMG	Technical & Group review
2.0	04/05/04	Change Delivery	Panel	For Panel Decision

9.2 References

Ref.	Title	Owner	Issue date	Version
1	Modification Proposal P162 Main Document: http://www.elexon.co.uk/docs/ta/modifications/modsprops/P162/p162.pdf Appendix 1:	SSE Energy Supply Ltd	30/01/04	-

⁸ The draft legal text contained within Annex 1 of this document contains provision to ensure licensable Generating Units (generally taken to be >50MW) constitute discrete Exports or Imports in recognition of this requirement.

	http://www.elexon.co.uk/docs/ta/modifications/modsprops/P162/P162Att1.pdf			
2	Issues associated with the definition of Imports and Exports ftp://www.elexon.co.uk/ta/panel/isg/papers/035_0393.pdf	ISG	16/12/03	-
3	Initial Written Assessment for Modification Proposal P162 http://www.elexon.co.uk/docs/ta/panel/papers/72_015a.pdf	ELEXON	06/02/04	1.0
4	Interim Report for Modification Proposal P162 http://www.elexon.co.uk/docs/ta/modifications/modsprops/P162/74_013a_P162IR.pdf	SSMG	05/03/04	1.0
5	Consultation for Modification Proposal P162 http://www.elexon.co.uk/docs/ta/modifications/modsprops/P162/P162AC10.pdf	SSMG	02/03/04	1.0

ANNEX 1 DRAFT LEGAL TEXT

Draft legal text is provided in a separate attachment to this document.

ANNEX 2 MODIFICATION GROUP DETAILS

NAME	POSITION	MEMBER	MEETING ATTENDANCE		
			16/02/04	25/02/04	12/03/04
Keith Campion	Chairman (ELEXON)	Y	Y	Y	Y
Richard Hall	Lead Analyst (ELEXON)	Y	Y	Y	Y
Steve Drummond	EdF Trading Ltd	Y	Y	Y	N
Mark Manley	British Gas Trading	Y	Y	Y	Y
Kevin Rendell	National Grid Company	Y	Y	Y	N
Neil Smith	Powergen	Y	Y	Y	Y
Man Kwong Liu	Scottish Power	Y	N	Y	N
Helen Bray	London Electricity	Y	Y	N	N
Andrew Colley	SSE Energy Supply Ltd	Y	Y	N	Y
Carl Wilkes	Npower	Y	N	Y	Y
Ben Willis	Npower	Y	Y	N	N
Mike Harding	Yorkshire Electricity Group plc	Y	N	N	N
Joanne Ellis	Cornwall Consulting Ltd	N	Y	N	N
Steve Mackay	Ofgem	N	Y	Y	Y
Simon Fox	Additional technical support (ELEXON)	N	Y	N	N

It should be noted that the Group addressed the Panel's requests for further information at its April 2004 meeting via correspondence, and no further meetings were convened to address these points.

ANNEX 3 CONSULTATION RESPONSES

Consultation issued on 2 March 2004.

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties Represented
1.	EDF Energy	P162_AR_001	9	0
2.	EDF Trading Ltd and EDF (Generation)	P162_AR_002	2	0
3.	British Gas Trading (BGT)	P162_AR_003	1	0

4.	Scottish Power	P162_AR_004	6	0
5.	Powergen	P162_AR_005	14	0
6.	NEDL and YEDL	P162_AR_006	2	0
7.	British Energy	P162_AR_007	3	0
8.	Innogy	P162_AR_008	10	0
9.	Scottish And Southern	P162_AR_009	4	0
10.	Aquila Networks	P162_AR_010	1	0
11.	National Grid Company	P162_AR_011	1	0

P162_AR_001 – EDF Energy

Respondent:	Tony Diccio (EDF Energy)
No. of BSC Parties Represented	9
BSC Parties Represented	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
No. of Non BSC Parties Represented	
Non BSC Parties represented	
Role of Respondent	Supplier / Generator / Trader / Party Agent / Distribution Business

Q	Question	Response	Rationale
1.	Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.	Yes	EDF Energy believes that the current drafting in Section K could lead to different interpretations, one which would require per Party netting below the Boundary Point and the other which would not allow per Party netting.

Q	Question	Response	Rationale
2.	If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Per Party netting below the Boundary Point	
3.	If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Did not answer No to Q1	N/A
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.	Yes	We should be concerned with establishing Imports and Exports at the Boundary Point and should not require any demand satisfied by Exemptable Generation below the Boundary Point to be separately identified.
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	Yes	

Q	Question	Response	Rationale
6.	Do you believe that this definition is compatible with new Generation Units? Please give rationale	Yes	As far as we can see at present, we feel that the concept of establishing flows onto or off the System at a Boundary Point is sound.
7.	Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes	P162 would remove the ambiguity that could give rise to different levels of metering systems to be installed and potentially increase costs. The removal of this defect would better facilitate achievement of Applicable BSC Objective (c) by promoting an efficient market and increasing competition. P162 would also better facilitate achievement of Applicable BSC Objective (d) by reducing the administration costs associated with an increased number of metering systems if P162 was not implemented.
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale	No	
9.	Are there any further comments on P162 that you wish to make?	No	

P162_AR_002 – EDF Trading Ltd and EDF (Generation)

Respondent:	EDF Trading Ltd
No. of BSC Parties Represented	2
BSC Parties Represented	EDF Trading Ltd and EDF (Generation)
No. of Non BSC Parties Represented	N/A
Non BSC Parties represented	N/A
Role of Respondent	Trader / Generator

Q	Question	Response	Rationale
1.	Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.	Yes	Section K does have the potential for being misinterpreted and as such clarification would be helpful to ensure sensible metering placement
2.	If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Per Party netting below the Boundary Point	The BSC is only interested in the net position below the boundary point providing it is for the one party. Once you have more than one party then there has to be separate metering. The intent of Section K has been to deliver this, but unfortunately the words in K are not as tight as they might be.
3.	If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Did not answer No to Q1	N/A

Q	Question	Response	Rationale
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.	Yes	For the reason stated in the answer to Q1. The market has to meet the net position of parties at the market boundary points. The implications of this not being the case are far reaching and potentially could affect all parties beyond the boundary point, even though to do so would be illogical and impracticable.
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	Yes	
6.	Do you believe that this definition is compatible with new Generation Units? Please give rationale	Yes	Absolutely. To require metering of unit transformers for instance for BSC purposes would be a nonsense. Such items are an inherent part of the generation of the electricity and only the net position should be considered.
7.	Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes	By removing the ambiguity and hence the potential for incurring unnecessary costs would better achieve the BSC Objective (c), as well as BSC Objective (d) by reducing the subsequent administration costs involved in their registration etc.
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale	No	

Q	Question	Response	Rationale
9.	Are there any further comments on P162 that you wish to make?	No	

P162_AR_03 – British Gas Trading

Respondent:	Mark Manley
No. of BSC Parties Represented	
BSC Parties Represented	British Gas Trading (BGT)
No. of Non BSC Parties Represented	
Non BSC Parties represented	
Role of Respondent	

Q	Question	Response	Rationale
1.	Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.	Yes	BGT concur with the view of the modification group that the current definition of Imports and Exports could be viewed as ambiguous. The history of this issue also supports this. This ambiguity has previously been discussed at ISG and the modification group was informed at its first meeting that there had been differing legal interpretations of the text.
2.	If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.		<p>To facilitate competition, Parties should not have overly onerous obligations placed on them, especially when there is no benefit in doing so. Metering each unit individually would not provide an improvement in the accuracy of data entering settlement. It is therefore difficult to see the justification in forcing Parties to install additional metering systems.</p> <p>Per Party netting is allowed under current processes. As the aim of the modification is to ensure the BSC reflects current practice it would seem sensible to allow Per Party netting to continue.</p>
3.	If you answered 'no' to question 1		N/A

Q	Question	Response	Rationale
	and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.		
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.	Yes	As question 2
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	Yes	BGT agree the proposed legal text gives effect to Per Party netting below the Boundary Point
6.	Do you believe that this definition is compatible with new Generation Units? Please give rationale	Yes	BGT believe this definition is compatible with new Generation Units.
7.	Do you believe Proposed Modification	Yes	BGT believes this modification will better facilitate Applicable BSC Objective (c) in promoting effective competition in the generation and supply of

Q	Question	Response	Rationale
	P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)		electricity. In the worst case scenario using an interpretation that requires each individual unit to be metered below the boundary point would be extremely expensive to implement. This would also adversely effect competition by introducing unnecessary costs without providing any commensurate level of benefit from a settlement perspective. This issue is also particularly pertinent for new and emerging technologies in the renewables arena. For example metering individual wind turbines rather than Boundary Point metering would be extremely costly and may adversely impact on the ability to meet government targets for renewable energy.
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale	No	
9.	Are there any further comments on P162 that you wish to make?	No	

P162_AR_004 – Scottish Power

Respondent:	<i>John W Russell (SAIC Ltd)</i>
No. of BSC Parties Represented	<i>6</i>
BSC Parties Represented	<i>Scottish Power UK plc; ScottishPower Energy Management Ltd; Scottish Power Generation Ltd; ScottishPower Energy Retail Ltd; SP transmission Ltd; SP Manweb PLC.</i>
No. of Non BSC Parties Represented	<i>0</i>
Non BSC Parties represented	
Role of Respondent	<i>Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

Q	Question	Response	Rationale
1.	Do you believe the current	No	ScottishPower believe the current drafting of the Code correctly reflects the requirement for

Q	Question	Response	Rationale
	definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.		Parties to trade import/export on a gross basis at the Boundary Point . The Code is currently silent on netting of flows beneath the Boundary Point . However, if other Parties feel further clarification is required to remove any perceived potential for ambiguity, it is important that the revised text doesn't simply replace one ambiguity with another."
2.	If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Did not answer Yes to Q1	N/a
3.	If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Per Party netting below the Boundary Point	We believe that "per Party netting below the Boundary Point" was always intended to be allowed.
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and	Yes	As mentioned above, we believe that "per Party netting below the Boundary Point" was always intended to be allowed.

Q	Question	Response	Rationale
	Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.		
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	No	For non legal users, It would be better to concentrate on what "at the Boundary Point" means and to clarify that flows "below the Boundary Point" can be netted. Even if the legal text cannot use these expressions, it is important that the concepts are embodied clearly in the text used, which isn't the case in the current proposal.
6.	Do you believe that this definition is compatible with new Generation Units? Please give rationale	Yes	It gives more clarification and covers scenarios for new type of plants.
7.	Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes	By clearly allowing netting off and reducing the numbers and costs of metering, it would enable more generation plants to compete in the markets and therefore better facilitates BSC Objective (c). Furthermore, by clarifying a perceived ambiguity, it would better facilitate BSC Objective (d).
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale	No	
9.	Are there any further comments	Yes	We believe that P162 needs to clearly identify the situation where licensed exempt generators do

Q	Question	Response	Rationale
	on P162 that you wish to make?		not need to meter individual generations/turbines (except at the common output at the Boundary Point.)

P162_AR_005 - Powergen

Respondent:	Powergen
No. of BSC Parties Represented	14
BSC Parties Represented	Powergen UK plc, Powergen Retail Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy
No. of Non BSC Parties Represented	0
Non BSC Parties represented	N/A
Role of Respondent	Supplier, Generator, Trader and Exemptable Generator

Q	Question	Response	Rationale
1.	Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.	Yes	It appears as though participants have interpreted the current arrangements differently. Therefore it seems self-evident that there is a level of ambiguity contained within Section K of the Code.

Q	Question	Response	Rationale
2.	If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Per Party netting below the Boundary Point	
3.	If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	N/A	
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.	Yes	This appears to clarify the current arrangements and therefore removes the risk of unforeseen requirements being placed on participants in the future.

Q	Question	Response	Rationale
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	Yes	
6.	Do you believe that this definition is compatible with new Generation Units? Please give rationale	Yes	
7.	Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes	By clarifying a potential ambiguity this modification should facilitate the efficient administration of the Balancing and Settlement arrangements.
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale	No	
9.	Are there any further comments on P162 that you wish to make?	No	

P162_AR_006 - NEDL and YEDL

Respondent:	Ann Penford
No. of BSC Parties Represented	2
BSC Parties Represented	NEDL and YEDL
No. of Non BSC Parties Represented	
Non BSC Parties represented	
Role of Respondent	Distributor

	Question	Response	Rationale
1.	Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.	Yes	
2.	If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Per Party netting below the Boundary Point	

	Question	Response	Rationale
3.	If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Did not answer No to Q1 / No Per Party netting below the Boundary Point / Per Party netting below the Boundary Point / No opinion	
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.	Yes	
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	Yes	

	Question	Response	Rationale
6.	Do you believe that this definition is compatible with new Generation Units? Please give rationale	Yes	
7.	Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes	
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale	Yes	Where there is both export and import at a boundary point arrangements should be in place to allow the boundary point not to be energised until responsibilities, if required, are established for both import and export components. However we recognise that this was ruled out of scope of the Mod P162
9.	Are there any further comments on P162 that you wish to make?	No	

P162_AR_007 – British Energy

Respondent:	Martin Mate
No. of BSC Parties Represented	3
BSC Parties Represented	British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd
No. of Non BSC Parties Represented	-
Non BSC Parties represented	
Role of	Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent

Respondent			
Q	Question	Response	Rationale
1.	Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.	No	There is some degree of ambiguity, but we consider that the change proposed goes further than removing ambiguity.
2.	If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Did not answer Yes to Q1 / No Per Party netting below the Boundary Point / Per Party netting below the Boundary Point / No opinion	We do not support a blanket provision for 'Per party netting below the boundary point'. There may be circumstances where such netting is appropriate, but we consider these should be considered on their individual merits.
3.	If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Did not answer No to Q1 / No Per Party netting below the Boundary Point / Per Party netting below the Boundary Point / No opinion	We will provide detailed comments at a later date. We believe the current definition of Imports and Exports makes particular provision to be able to identify imports and exports individually even if they are subsequently netted for the purposes of settlement. However, there are other reasons, some beyond the requirements of settlement, why it may be desirable to distinguish exports and imports in the current manner, which Ofgem may wish to consider as part of its wider scope for assessment.

Q	Question	Response	Rationale
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.	No	Not in all cases. Details to follow.
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	Yes / No	
6.	Do you believe that this definition is compatible with new Generation Units? Please give rationale	Yes / No	
7.	Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes / No	No cost information provided to help assess this. This modification raises issues which go beyond the scope of the BSC.

Q	Question	Response	Rationale
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale	Yes	Yes. To follow shortly.
9.	Are there any further comments on P162 that you wish to make?	Yes	<p>ISG Paper 35/393 was presented to ISG for information, and was noted by ISG with little discussion.</p> <p>We make the following general observations about this modification proposal:</p> <p>The intent of the proposal appears to be to reduce the burden on prospective parties connected in Scotland to provide code compliant metering on components of equipment 'behind' a boundary point to the Total System. This may create a discrimination between parties in England and Wales with configurations compliant with the Code as it stands.</p> <p>The Code currently places fairly demanding requirements for the measurement of export on individual items of generating equipment. There are many reasons why this may be considered desirable. We are concerned that reduction in the requirements for metering would represent a retrograde step in the development of the industry. We would prefer to see individual dispensations, as is the case currently.</p> <p>Detailed comments will follow shortly.</p>

Addendum to submission from British Energy, received under separate cover:

P162 – Changes to the definition of Imports and Exports

Comments from Martin Mate, British Energy, 12 March 2004

I do not believe the Code is ambiguous in the manner suggested. It requires measurement of export and import by a Party at a Boundary Point at a gross level rather than a net level. I believe this requirement is intentional, and follows from a desire by the regulator in the past to avoid vertical integration, and later to maintain a distinction between generation and supply activities, in both cases to facilitate the monitoring and development of competition. There is a special exception for generators with unit transformers, which recognizes that a unit transformer is usually an integral part of a generating unit. Exemptable Generating Plant which has elected not to register the generation, so

that no-one is responsible for it (K1.2), will either be part of the indivisible Plant and Apparatus at the premises of a Customer (K1.1.4(a)(ii)) or Plant and Apparatus connected directly to the Total System but not associated with any party. In either case, it does not fall into the requirements of K1.1.4 for the generation to be explicitly metered.

The Metering Codes of Practice refer to the requirement for meters for 'measurement and recording of electricity transfers at Defined Metering Points', but recognize that the Actual Metering Point may be somewhere else and allow for dispensations for this situation. I see no inconsistency between the Code requirements for the measurement of export and import and the CoP requirement for the transfer to be measured at a Defined Metering Point. The whole electricity market is premised on the assumption that energy can be traced from source to sink through various levels of aggregation.

Perhaps the modification is directed towards Exemptable Generating Plant which has elected to be registered pursuant to K1.2? Registration in this manner is the only way to be explicitly credited with energy pursuant to the Code, and is probably very useful for measuring or monitoring bilateral trades. However, such registration obviously requires a meter, which seems inconsistent with the stated objective of the modification to avoid the requirement for meters.

Perhaps the modification is directed at achieving 'net' status for BM Units comprising Exemptable Generating Plant and demand. But that is surely a different issue?

The main change introduced by the proposed legal drafting appears to be the capability for the combined flows to or from each licensed Generating Unit of a Party flowing at a Boundary Point to be netted (K1.1.4(e)) as a single Export or Import. If this is the real issue, the modification group should focus more attention on it. As a principle, I consider it undesirable and discriminatory for a variety of reasons including:

- It reduces transparency of generation capability and performance.
- It allows a subset of licensed generators to avoid generating unit metering costs.
- It potentially allows a subset of licensed generators to avoid the burden of individual generating unit data submission to NGT.
- It allows a subset of licensed generators an ability to choose which generating unit provides a balancing service and thus avoid non-delivery charges and potential information imbalance charges. This is a facility not allowed to most generating units, which although not connected at precisely the same boundary point for historical reasons are nevertheless connected at the same location.

There may be special circumstances where strict appliance of the current rules would be particularly unreasonable or inefficient. Such cases should be considered in a transparent manner by the BSC Panel and transparent dispensations made if the Panel feels they are justified in the circumstances. I would expect very convincing reasons for individual generating units of size greater than 50MW, and/or 'net' generating units of size greater than 50MW to qualify for such 'dispensations'.

P162_AR_008 – Innogy

Respondent:	Richard Harrison
No. of BSC Parties Represented	10
BSC Parties Represented	RWE Trading GmbH, RWE Innogy plc, Innogy Cogen Limited, Innogy Cogen Trading Limited, Npower Limited, Npower Direct Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Yorkshire Limited and Npower Yorkshire Supply Limited
No. of Non BSC	None

Parties Represented	
Non BSC Parties represented	N/A
Role of Respondent	Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent

Q	Question	Response	Rationale
1.	Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.	No – However, I would accept that the intent may have been different	The meaning of the expression “but for” is perfectly clear and unambiguous in normal English usage. However, the wording may have been a manifest error.
2.	If you answered ‘yes’ to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to ‘No Per Party netting below the Boundary Point’ or to ‘Per Party netting below the Boundary Point’? Please give rationale.	Did not answer Yes to Q1	

Q	Question	Response	Rationale
3.	If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	The effect is No Per Party netting below the Boundary Point However, Per Party netting below the Boundary Point may have been what was intended	This follows from the words.
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.	Qualified Yes	This should be allowed if it can be done in a way which does not inhibit competition in the generation or supply of electricity for certain customers in certain situations. We believe the currently proposed legal drafting fails to achieve this. Is it "Per Party Netting below the Boundary Point" or appropriate apportionment of Imports and Exports at the Boundary Point to Parties which is desired? If there is more than one Party involved at a Boundary Point, then additional metering will/may still be required to identify the apportionment of benefits and liabilities between each of these and the customer(s), even if this is not strictly required for Settlement purposes.
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	No	The legal drafting needs to be compatible with SVA arrangements as well as CVA, which it currently is not. In particular, the proposed paragraph 1.1.4 (d) is ambiguous as to the period over which the flows are to be netted (although it might be assumed that this should be Settlement Period). It should be noted that Import and Export flows will be recorded on separate meter registers, and are currently required to be mapped to separate SVA Metering System Numbers, so significant changes would be required to the functionality of meters and/or data collection systems and processes to implement this.

Q	Question	Response	Rationale
6.	Do you believe that this definition is compatible with new Generation Units? Please give rationale	Yes / No	See comments on 5 above.
7.	Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	No – as currently drafted	In certain respects (e.g. embedded generators at sites which are half hourly metered) the proposed clarification could be said to be beneficial. However, in others it creates new problems, both for SVA metering, systems and processes and potentially for competition in supply in embedded non-licensed networks sitting behind Boundary Points. In the latter case, it will potentially make metering and registration for some SVA Metering Systems much more complicated and costly. Hence, in its present form it does not meet either objective (c) or objective (d).
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale	Yes	1) The impacts on SVA systems and processes (particularly HHDC and (as a consequence of Modification P81) NHHDC) need to be considered. 2) The aggregation/netting to Party level could create significant problems where there are Parties with multiple Supplier Ids, which could be argued to be discriminatory and therefore contrary to Section B paragraph 1.2.1 (c).
9.	Are there any further comments on P162 that you wish to make?	Yes	Re the comment that "It could be argued that many existing Metering Systems may not be compliant with one interpretation of the Code despite following the rules defined in the Codes of Practice (CoPs).", we are interested in the suggestion that compliance with one requirement in the Code might remove the need to comply with others (e.g. Annex S-1 Serial 1?).

P162_AR_009

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd., Medway Power Ltd. and SSE Energy Supply Ltd.

Further to your note of 2nd March 2004, and the nine questions listed in the Modification Report consultation for P162, we have the following comments to make:-

Q1 Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.

Yes, for the reasons outlined in the Modification Proposal.

Q2 If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.

We believe the intent is to give effect to 'Per Party netting below the Boundary Point'.

Q3 If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.

N/A

Q4 Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.

Yes, we agree with the comments made by the Modification Group.

Q5 Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?

It appears to.

Q6 Do you believe that this definition is compatible with new Generation Units? Please give rationale

It appears to.

Q7 Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)

Yes, we do believe (for the reasons outlined in section 4 of the Modification Report) that P162 does better facilitate the achievement of the Applicable BSC Objectives.

Q8 Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale

No.

Q9 Are there any further comments on P162 that you wish to make?

Nothing further at this time.

Regards

Garth Graham
Scottish and Southern Energy plc

P162_AR_010 – Aquila Networks

Midlands Electricity (formally Aquila Networks PLC) would like to return a response of 'No Comment' to P162 'Changes to the definition of Imports and Exports' Assessment Consultation.

Regards,

Deborah Hayward

Distribution Support Office &
Deregulation Control Group
Midlands Electricity

P162_AR_011 National Grid

Respondent:	Name: Kevin Rendell
No. of BSC Parties Represented	1
BSC Parties Represented	National Grid Company (National Grid Transco)
No. of Non BSC Parties Represented	0
Non BSC Parties represented	N/A
Role of Respondent	Transmission System Operator

Q	Question	Response	Rationale
1.	Do you believe the current definition of Imports and Exports contained within Section K of the Code is ambiguous? Please give rationale.	Yes	National Grid recognises that the current definition of Imports and Exports contained within the Code is ambiguous. It sees this ambiguity resulting primarily from the use of the phrase 'but for:' (K1.1.4c). Depending upon the interpretation of this phrase, it could be argued that all parties with the potential to export onto the system have metering to separately measure the consumption and generation that takes place below the boundary point. The other interpretation would be that all generation and consumption associated with non-licensable generators could be netted below the boundary point such that metered imports and exports only reflect net flows.
2.	If you answered 'yes' to question 1 and believe the current definition of Imports and Exports is ambiguous, do you believe the intent is to give effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Per Party netting below the Boundary Point	National Grid believes that the intent of the Code is to give effect to per-party netting of commercial metering below the Boundary Point for non-licensable generators. This interpretation would reflect the existing approach taken in enforcing the Code. It should be noted that clarification of the legal text, as proposed by this modification, is separate from, and has no impact upon, the Operational metering requirements as defined in the Grid Code and/or agreed via Bilateral Contracts between National Grid and generators.

Q	Question	Response	Rationale
3.	If you answered 'no' to question 1 and believe the current definition of Imports and Exports is clear, do you believe it gives effect to 'No Per Party netting below the Boundary Point' or to 'Per Party netting below the Boundary Point'? Please give rationale.	Did not answer No to Q1 /	N/A
4.	Do you agree with the opinion of the Modification Group that the definition of Imports and Exports should allow for 'Per Party netting below the Boundary Point'? Please give rationale.	Yes	National Grid believes that the definition of Imports and Exports within the Code should, for the time being, allow for 'Per Party netting of generation and consumption associated with non-licensable generators below the boundary point'. <i>NB. Please see response to question 9</i>
5.	Do you agree that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'?	Yes	National Grid believes that the draft legal text contained within the Consultation Document clearly gives effect to 'Per Party netting below the Boundary Point'. The legal text rightly precludes netting across Generation Units of licensable Generators, and does not allow for netting of Station Load associated with Licensable Generation plant or Apparatus.

Q	Question	Response	Rationale
6.	Do you believe that this definition is compatible with new Generation Units? Please give rationale	Yes	<p>National Grid believes that the clarification of Import and Export definition, as proposed with this modification, is compatible with new generation units. A concern of the proposer relates to the potential impact that one interpretation of the existing code could have upon meter requirements for wind farm generation. The legal drafting, as proposed, appears to permit the netting of generation from a range of wind turbines 'below the boundary point' so long as the same party owns them and none of the turbines could fulfil the criteria required for them to be classed as a licensable Generating Unit in their own right. National Grid supports this approach.</p> <p><i>NB Please see response to question 9</i></p>
7.	Do you believe Proposed Modification P162 better facilitates the achievement of the Applicable BSC Objectives ? Please give rationale and state objective(s)	Yes	<p>National Grid believes that the proposed modification better facilitates BSC Applicable Objective c) by reducing the risk of unnecessary expenditure by certain new entrants to the market. Furthermore, it believes that the proposal also meets BSC Applicable Objective d) as it clarifies the obligations in the Code for entrants and supports the effective operation and administration of the registration process.</p>
8.	Do you believe there are any substantive issues that the Modification Group has not identified and that should be considered? Please give rationale	No	N/A

Q	Question	Response	Rationale
9.	Are there any further comments on P162 that you wish to make?	Yes	It should be noted that the definitions of Imports and Exports, as proposed by this modification, could have a significant impact upon National Grid's operational practices if the prevalence of embedded and exemptible generation parties significantly increase. Such an increase could result in a requirement for National Grid to access further metered information from these parties in support of its ongoing role to operate an efficient, economic and co-ordinated transmission system. National Grid recognises that the impact of an increase in embedded or non-licensable generation on Import and Export metering requirements is outside of the scope of this modification. However, it feels that it is important for industry parties to be aware of the possibility that further changes in this area of the Code may be required at some point in the future.

ANNEX 4 TRANSMISSION COMPANY ANALYSIS

- Please outline any impact of the Proposed Modification (and, if applicable, any Alternative Modification) 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 do not believe that the proposed modification has any impact on our ability to discharge our obligations under the Transmission Licence in the current environment, as it will not have any impact on operational procedures. However, we note that with likely future increases in embedded generation/exemptable plant there may be implications for our operational practices and a requirement for us to access further information from these parties in support of our ongoing role to operate an efficient, economical and co-ordinated transmission system. We recognise that such a requirement for increased metered information is outside of the scope of this modification and any subsequent change may require further Code modifications which we will progress as and when appropriate.

- Please outline the views and rationale of the Transmission Company as to whether the Proposed Modification (and, if applicable, any Alternative Modification) would better facilitate achievement of the Applicable BSC Objectives.*

We believe that the proposed modification better facilitates BSC Applicable Objective c) by reducing the risk of unnecessary expenditure by certain new entrants to the market. We believe that the proposal also meets BSC Applicable Objective d) as it clarifies the obligations in the Code for entrants and supports the effective operation and administration of the registration process.

- Please outline the impact of the Proposed Modification (and, if applicable, any Alternative Modification) on the computer systems and processes of the Transmission Company, including details of any changes to such systems and processes that would be required as a result of the implementation of the Proposed Modification (and, if applicable, any Alternative Modification)*

We do not believe that there are any impacts on our computer systems and processes arising from the proposed modification.

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 Modification (and, if applicable, any Alternative Modification).*

No costs have been 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 Modification (and, if applicable, any Alternative Modification).*

None identified.

6. *Any other comments on the Proposed Modification (and Alternative Modification if applicable).*

We note that the intent of the modification is to clarify custom and practice with regard to the obligations placed on unlicensed/exemptable plant for the purpose of metering. Whilst we are supportive of this approach we must stress our continued support of the Code requirement for metering at an individual Genset level for larger players ie. for licensable generation above the 50MW level. As has been acknowledged in Modification Group discussions we believe there is a need to ensure that this existing requirement is unaffected by the proposed Code change.

ANNEX 5 BSC AGENT IMPACT ASSESSMENTS

The NETA Central Service Agent impact assessment is provided in a separate attachment to this document.

ANNEX 6 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:

PROGRESSING MODIFICATION PROPOSAL	
Demand Led Cost	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.
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 Procedures.

SERVICE PROVIDER ⁹ COSTS	
Change Specific Cost	Cost of the Service Provider(s) Systems development and other activities relating specifically to the Modification Proposal.
Release Cost	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.
Incremental Release Cost	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.

⁹ 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.

IMPLEMENTATION COSTS	
External Audit	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.
Design Clarifications	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%.
Additional Resource Costs	<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>
Additional Testing and Audit Support Costs	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
<p>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%.</p>

ELEXON IMPLEMENTATION RESOURCE COSTS
<p>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.</p> <p>The ELEXON Implementation Resource Cost will typically have a tolerance of +/- 5% associated with it.</p>

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.

ANNEX 7 TERMS OF REFERENCE

ASSESSMENT PROCEDURE


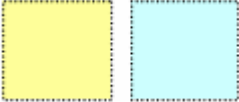
1. The Modification Group will carry out an Assessment Procedure in respect of Modification Proposal P162 pursuant to section F2.6 of the BSC.
2. The Modification Group will produce an Assessment Report for consideration at the BSC Panel Meeting on 8 April 2004.
3. The Modification Group shall consider and/or include in the Assessment Report as appropriate:
 - Confirming the existing Code obligations relating to metering;
 - Reviewing the coverage of the existing definition of Imports and Exports;
 - Understanding the extent of any identified defect(s);
 - Identifying the implications of failing to address any identified defect(s). This to include consideration of costs of metering;
 - The interaction between the Code and the Codes of Practice (CoPs); and
 - In the context of P81, 'Removal of the Requirement for Half Hourly Metering on Third Party Generators at Domestic Premises', what is the responsibility for establishing an export MPAN where an import MPAN has been established.

ANNEX 8 WORKED EXAMPLES

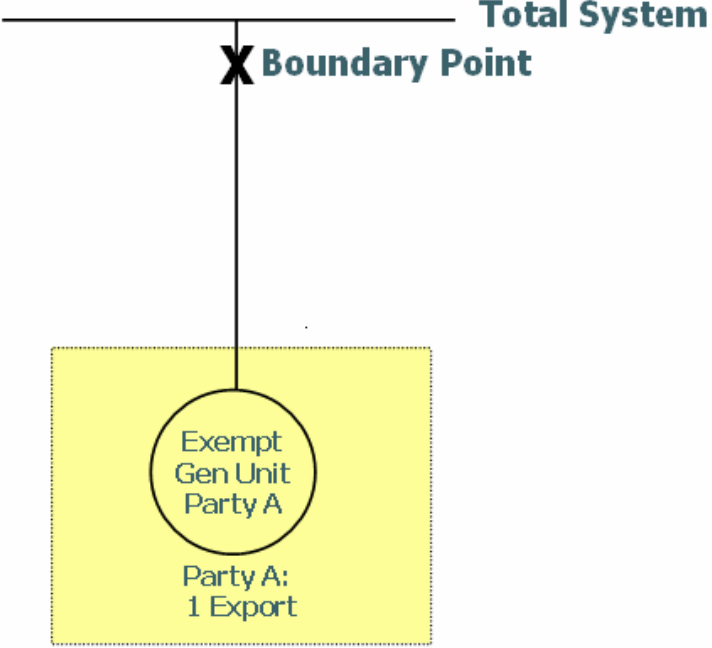
Please note that the diagrams on the following pages show the Exports/Imports that would need to be determined for the sites shown, not the location of Metering Systems required to measure them.

These diagrams incorporate all suggested site configurations put forward by Group members.

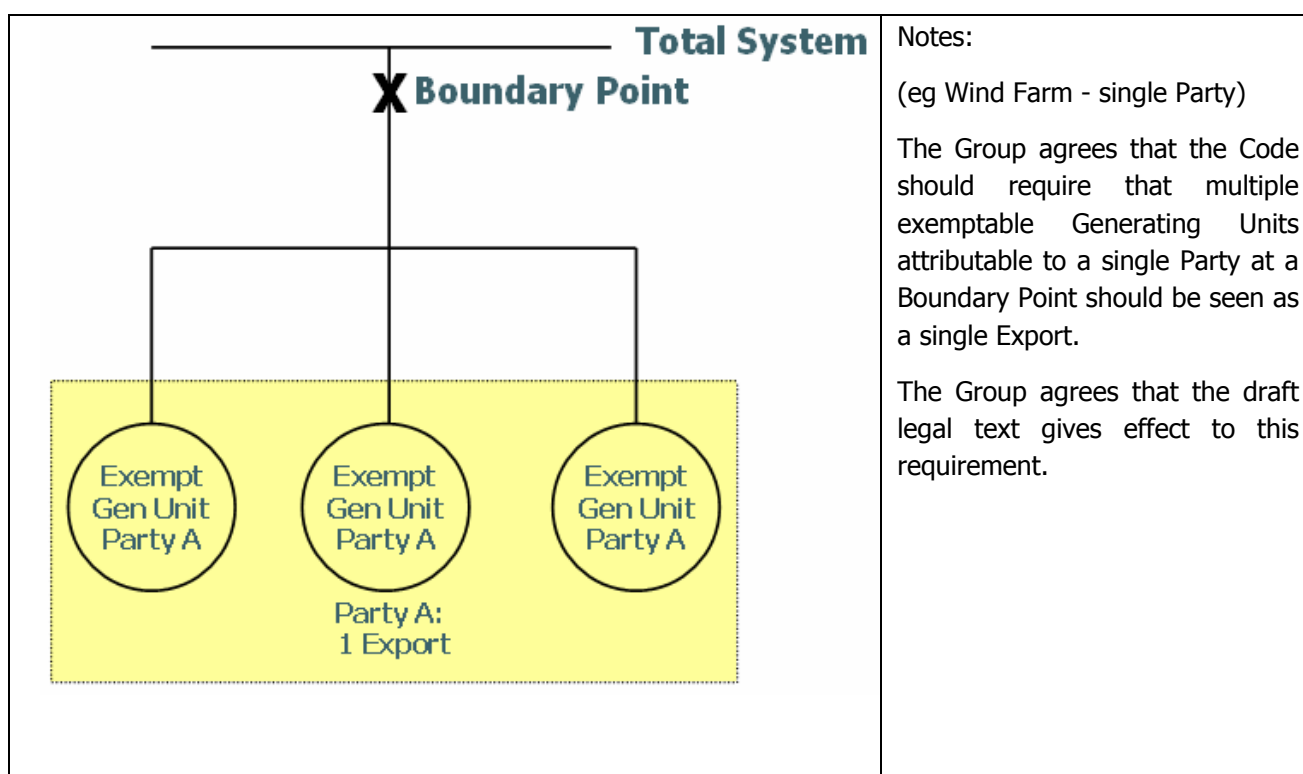
Key:

	Denotes the Boundary Point, not a Metering System. The Code provides that Exports or Imports must be determined at a Boundary Point.
	A coloured box surrounded by a dotted line shows a single Export or Import that should be determined at the Boundary Point. Where different coloured boxes are used on the same diagram these represent the presence of multiple Parties at the same Boundary Point.

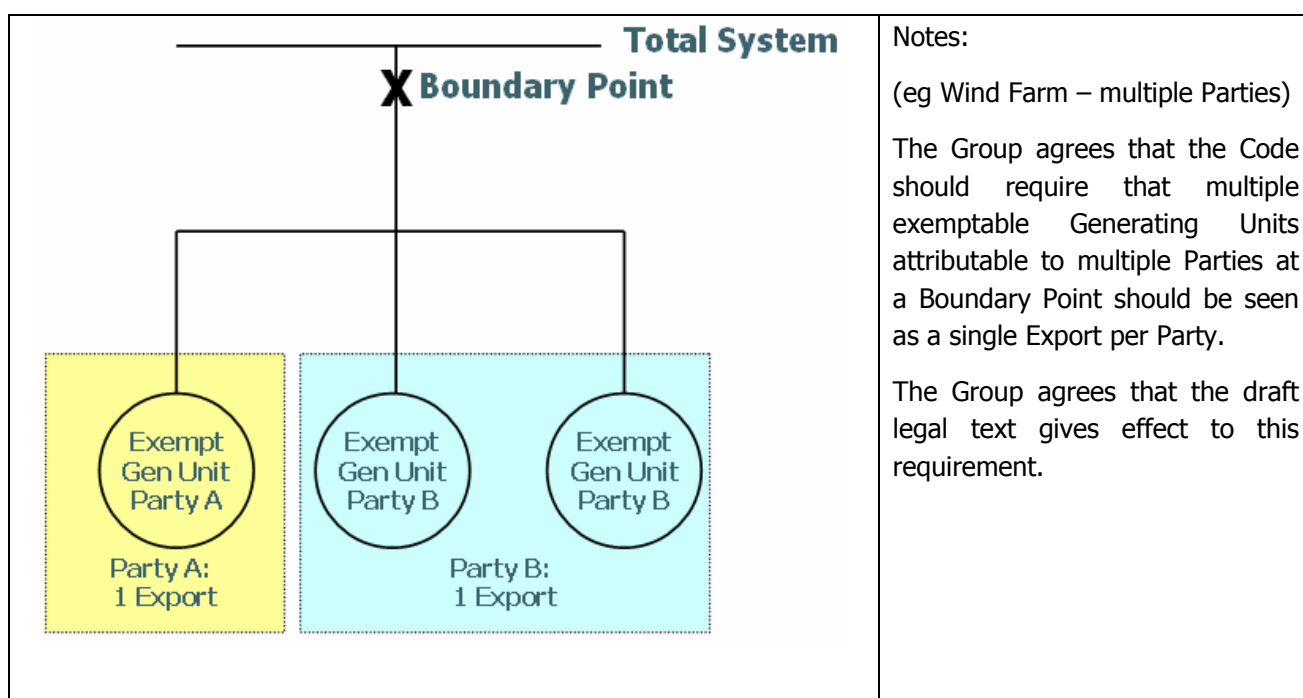
a Treatment of single exemptable Generating Unit attributable to single Party

	<p>Notes:</p> <p>(eg Single Wind Turbine)</p> <p>The Group agrees that the Code should require that a single exemptable Generating Unit attributable to a single Party at a Boundary Point should be seen as a single Export.</p> <p>The Group agrees that the draft legal text gives effect to this requirement.</p>
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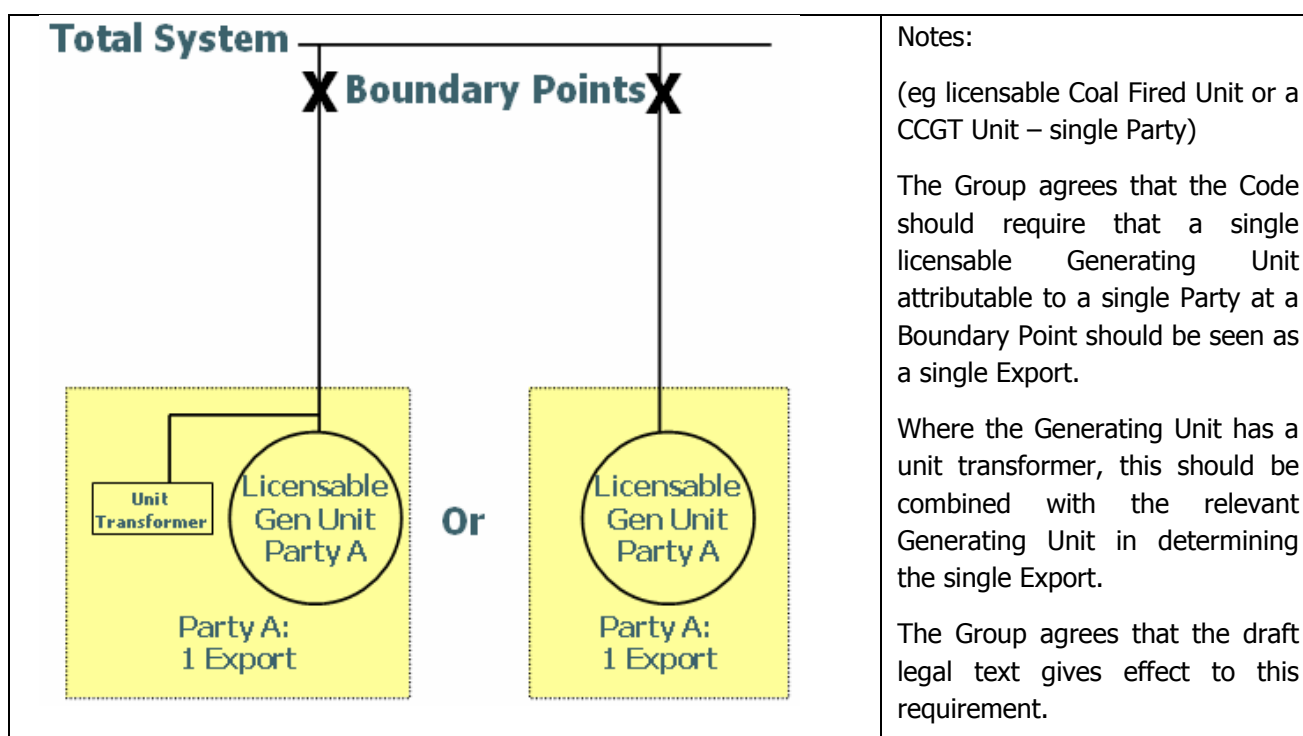
b Treatment of multiple exemptable Generating Units attributable to single Party



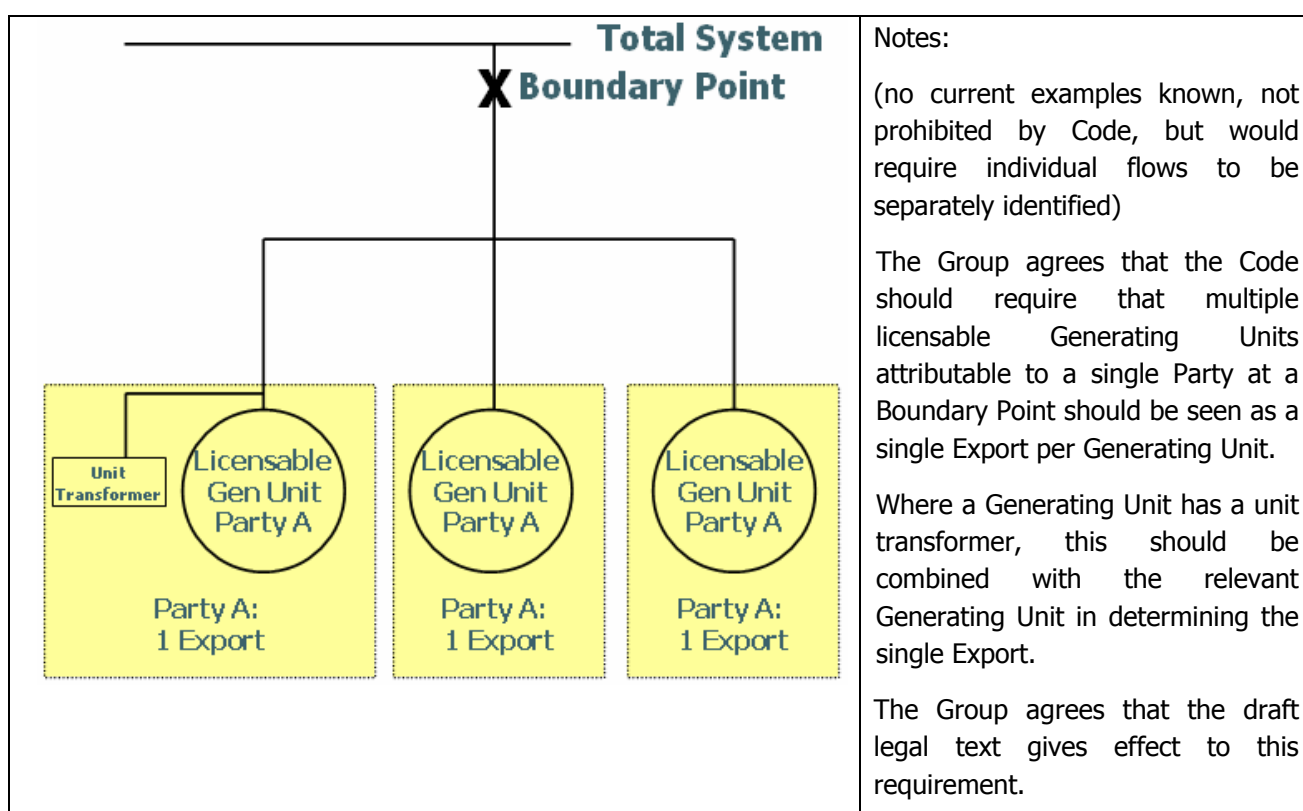
c Treatment of multiple exemptable Generating Units attributable to multiple Parties



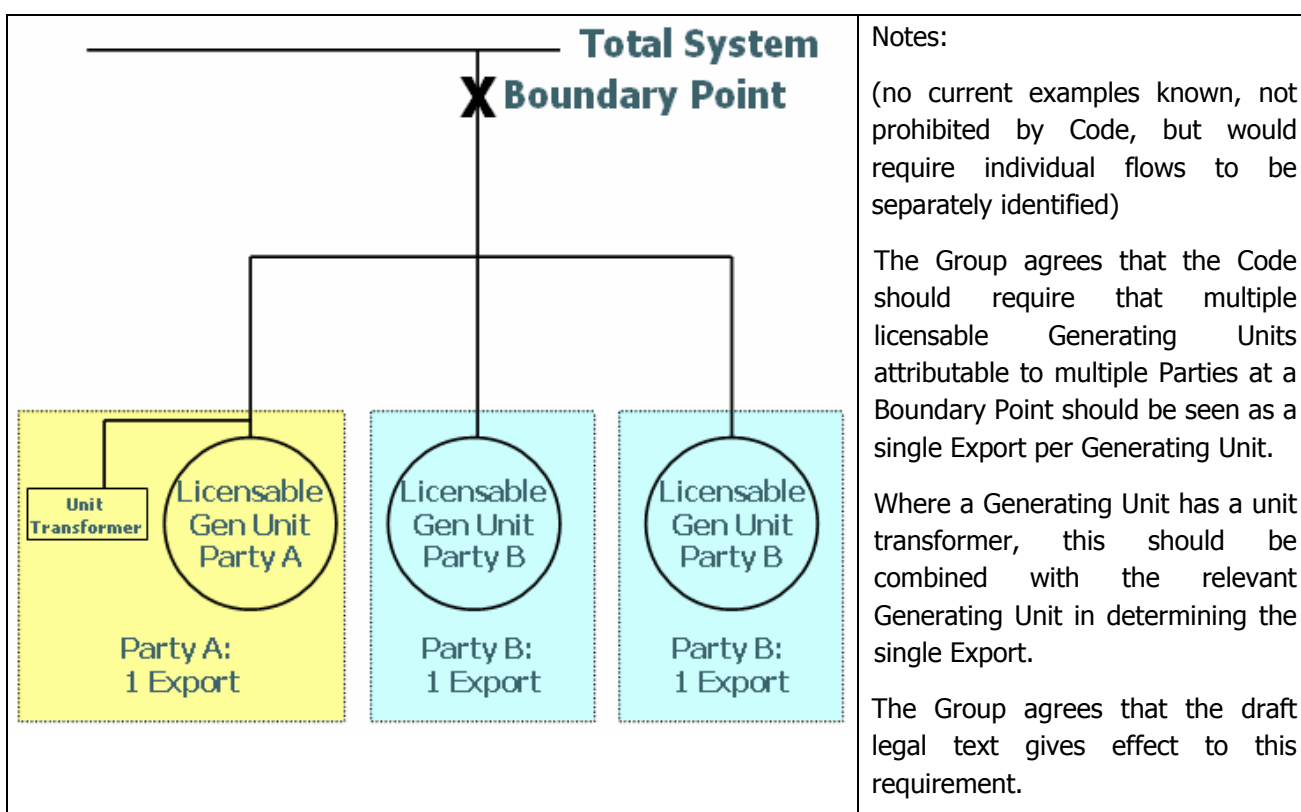
d Treatment of single licensable Generating Unit attributable to single Party



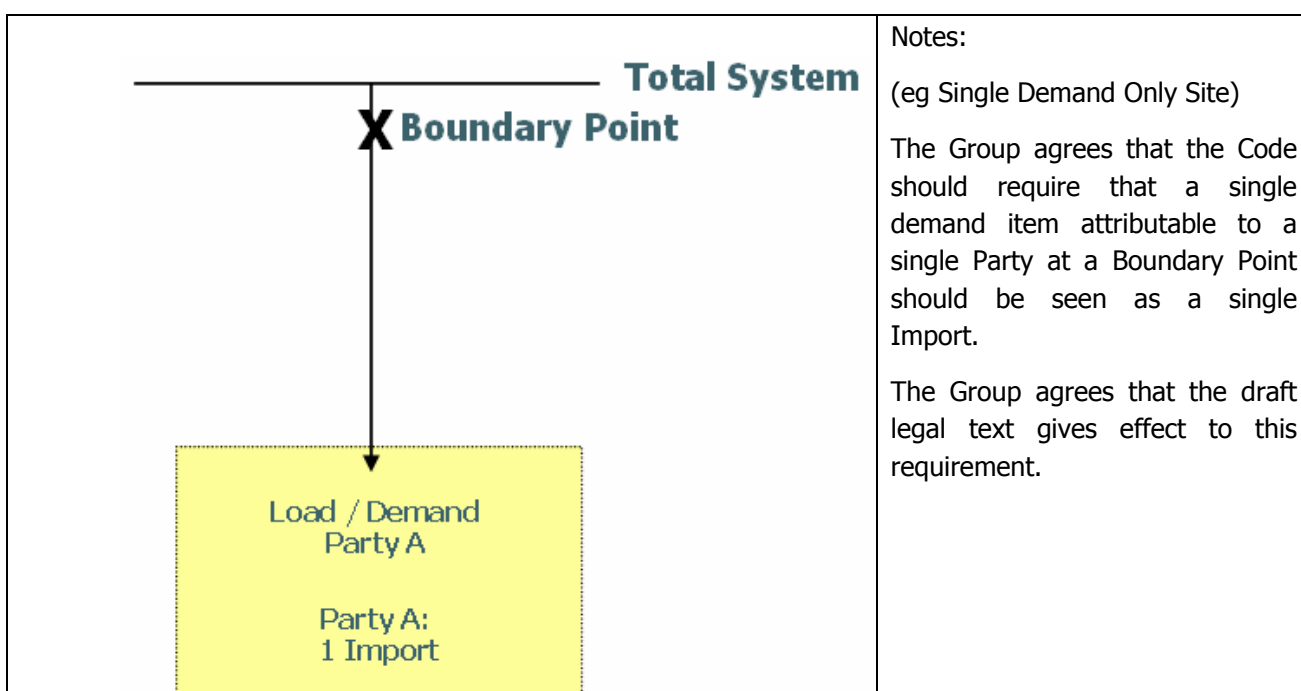
e Treatment of multiple licensable Generating Units attributable to single Party



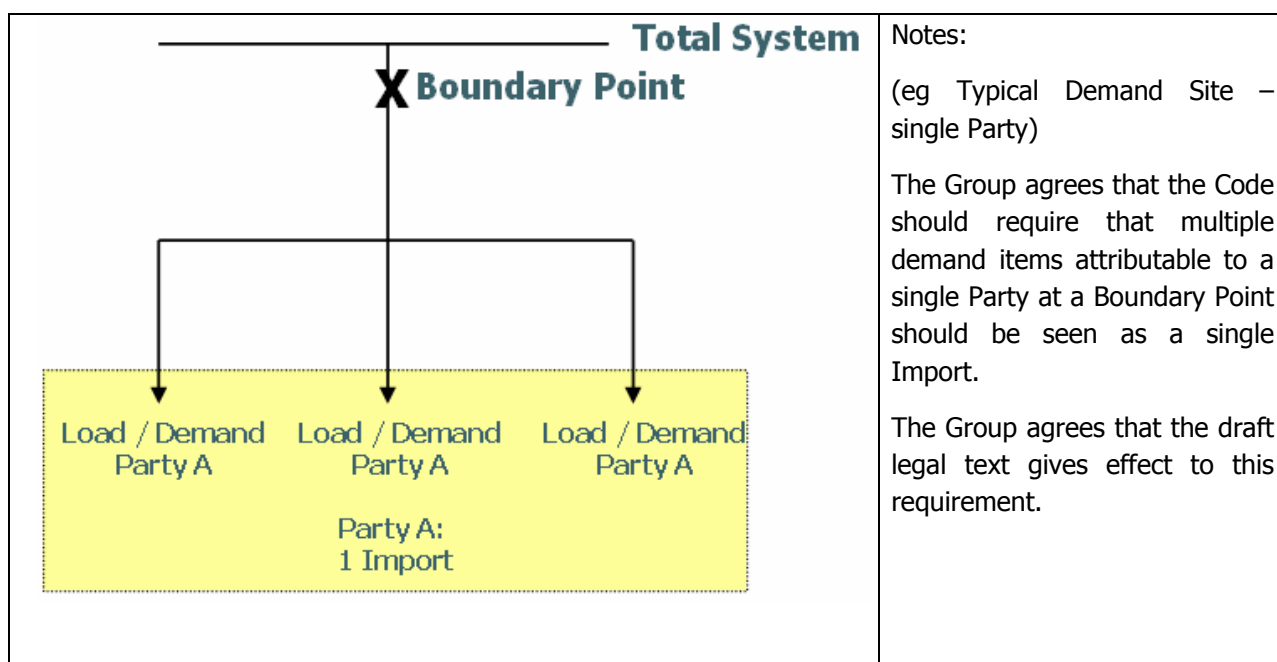
f Treatment of multiple licensable Generating Units attributable to multiple Parties



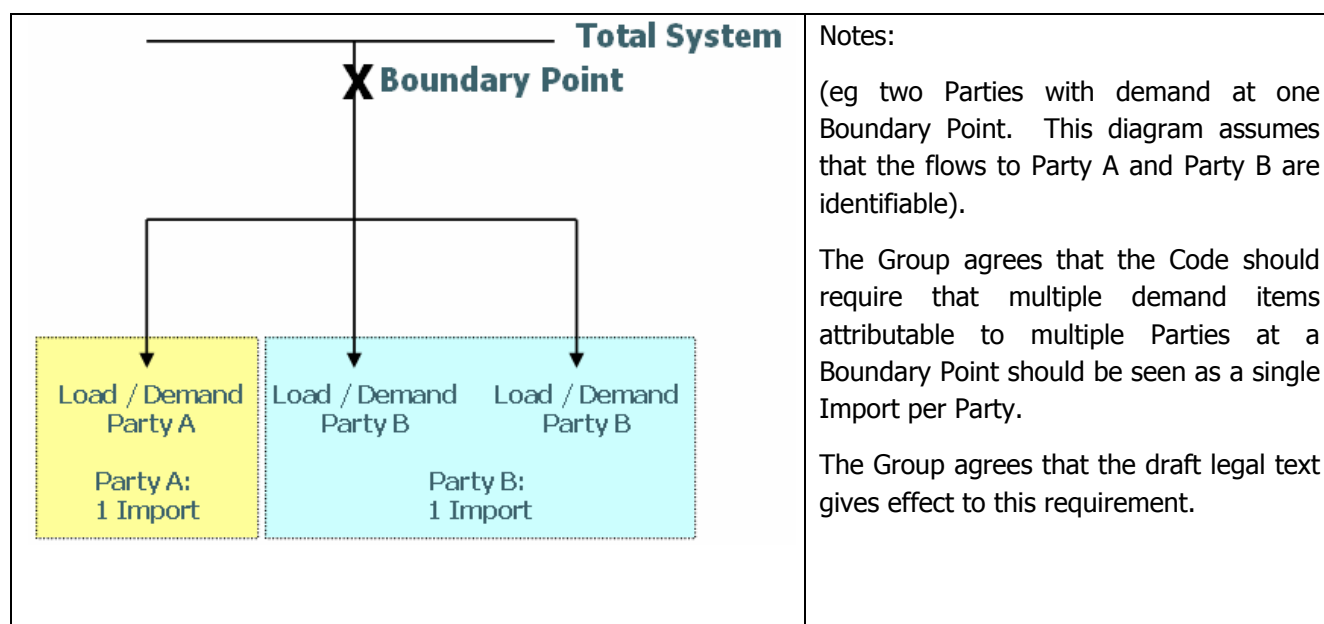
g Treatment of single demand item attributable to single Party



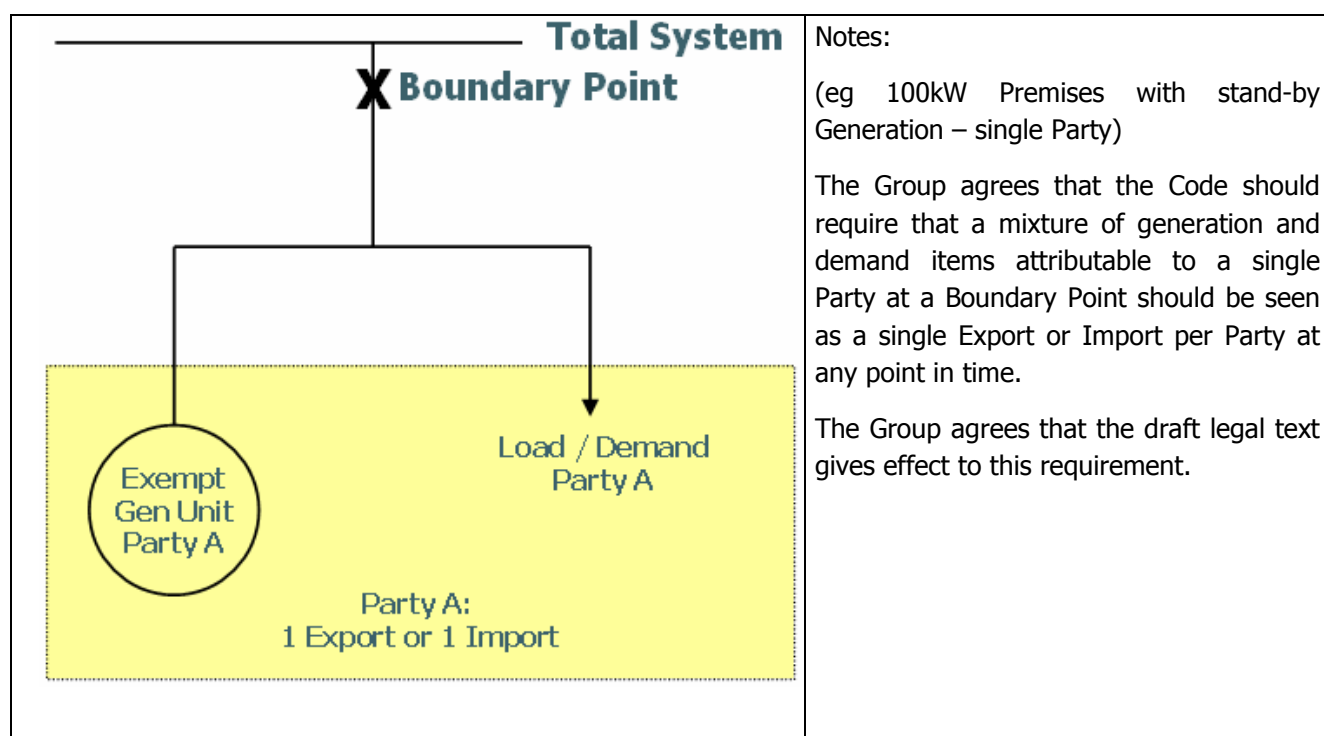
h Treatment of multiple demand items attributable to single Party



i Treatment of multiple demand items attributable to multiple Parties



j Treatment of mixed exemptable generation and demand items attributable to single Party



k Treatment of mixed exemptable generation and demand items attributable to multiple Parties

