

THIRD CONSULTATION DOCUMENT for Modification Proposal P157 Replacement of current Supplier Charges rules

Prepared by: Volume Allocation Standing Modification Group

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PURPOSE OF THIS DOCUMENT

This consultation document describes the discussions of the VASMG ("the Group") to date, and seeks the views of market participants on the following:

- Whether or not P157 would better facilitate achievement of the Applicable BSC Objectives; and
- Whether there are any substantive issues that need to be brought to the attention of the Group.

Following BETTA Go-Active on 1 September 2004 this consultation document is being issue to allow participants to consider P157 on a GB basis. The purpose of this consultation is for participants to consider P157 on a GB basis as well as for new Scottish participants to consider this consultation and related documents against the Applicable BSC Objectives.

Responses to previous consultations will be deemed applicable to the GB Code unless stated otherwise in response to this consultation.

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

The following Parties/documents have been identified as being potentially impacted by Modification Proposal P152.

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

1.1 Modification Proposal

Modification Proposal P157 'Replacement of current Supplier Charges rules', (P157), was raised on 5 January 2004 by EDF Energy. P157 proposes to replace the current Supplier Charges rules in Annex S-1 of the Code with a robust set of rules that adhere to the proposed criteria for a technique that would provide corrective measures suggested by the Volume Allocation Standing Modification Group (VASMGM) during its work on Issue 6 (Supplier Charges).

The Proposer believes that a clear and readily understood set of rules should assist with the drive to improve the quality of data entering Settlement. The latest BSC Audit has been qualified and it is the Proposer's view that a major contributory factor to this was the level of poor data quality in Supplier Volume Allocation especially within the Non Half Hourly (NHH) sector. Supplier Charges are intended to be a corrective technique but the recent work of the VASMGM on Issue 6 has raised serious concerns over the appropriateness of the current rules and their effectiveness as a corrective technique.

The Proposer considered that P157 better facilitated the achievement of Applicable BSC Objectives (c) and (d). The achievement of Applicable BSC Objective (d) - promoting efficiency in the implementation and administration of the balancing and Settlement arrangements, would be achieved by P157 since the quality of data entering Settlement will be improved through the introduction of a Supplier Charges mechanism that is easily understood and that provides incentives on Parties. The Proposer further argued that any mechanism that is effective in improving data quality should also better facilitate the achievement of Applicable Objective (c) – promoting effective competition in the generation and supply of electricity, and promoting such competition in the sale and purchase of electricity.

P157 is currently within the Assessment Procedure phase of the Modification process, and an Assessment Report is scheduled to be presented at the October meeting of the Panel.

1.2 Background and Scope

The Initial Written Assessment (IWA) was presented to the Panel at its meeting on the 15 January 2004. The Proposer raised Modification Proposal P157 so that the more detailed work required to implement a replacement to the current Supplier Charges rules could be undertaken and a solution could be decided upon, since no solution was recommended by the Modification Proposal. For this reason a 2 month Definition Procedure was recommended.

The Definition Report was presented to the Panel at its meeting on 11 March 2004. The Panel recommended that P157 be assessed fully during a three month Assessment Procedure. During the initial stage of the Assessment Procedure, the Group issued one consultation document to industry detailing its initial conclusions regarding the Proposed Modification and suggested alternatives. At its meeting on 13 May 2004, the Panel requested that the VASMGM present an Interim Report at the next Panel meeting to enable the Panel to choose to seek provisional thinking from the Authority if necessary. The request for provisional thinking was made and the Authority delivered its provisional thinking on 25 June 2004 such that it could be considered at the July 2004, Panel meeting. The Panel decided to direct the VASMGM which aspects should form a part of a P157 either Proposed or Alternative Modification. These were in relation to

- A suitable calculation for in-house Supplier costs to correct bad data for Serial SP08a;
- Not Bond Rebate - A method that is linked to the target Standard and hence supports its attainment (continuous and monotonic); and
- No cap on a "basket" of Serials (this direction was clarified at the August Panel meeting).

The Group issued a second assessment consultation document to industry to finalise the composition of any Proposed and Alternative Modification. The Group then decided the components of the Proposed and Alternative Modifications and agreed its recommendation to the Panel.

The Group issued a third Interim Report to confirm the details of the Proposed and Alternative Modifications it had developed and to specify the additional work it required to complete the Assessment Procedure. The Panel at its meeting on 2nd September 2004 granted a one month extension to the P157 Assessment Procedure to perform this further analysis and noted that the extra month would allow for new Scottish participants to consider P157 and inform its progress.

2 DESCRIPTION OF PROPOSED AND ALTERNATIVE MODIFICATIONS

2.1 Proposed Modification

There will be Supplier Charges on Serials SP01, SP02, SP04, SP08a, b and c. SP01 and SP02 will be charged on a £ per day basis only i.e. not charged per GSP Group, SP04 will be charged on a £ per day basis as it is currently and Sp08a, b and c on a £ per MWh basis. The charges for SP08 a, b and c will be capped overall such that no Supplier shall pay more than 1% of its Supplier Take*Credit Assessment Price in any GSP Group (.e. no cap applied to SP01, SP02 and SP04 charges). SP01 and SP02 will cease to be applied after 12 months has passed. The funds collected will be used in the following manner. 10% will be circulated to all Trading Parties based on their Main Funding Shares. The remaining 90% will be redistributed on a GSP Group basis according to NHH market share – this is the current method of redistribution.

The level of the charges will be reviewed at the Panel's request at least once every two years following the methodology contained in the Code.

See Appendices 1 – 3 for descriptions of GPOL methodology, Appendix 4 for summary of current vs. p157 charges and Appendix 5 for a description of the Serials.

2.2 Alternative Modification

The Alternative Modification is the same as the Proposed Modification in all aspects except the redistribution. In the Alternative Modification, the funds collected will be used in the following manner. 10% will be circulated to all Trading Parties based on their Main Funding Shares. The remaining 90% will be redistributed on a GSP Group basis to NHH Suppliers who have either achieved the performance Standard (97%) or have performed above average on SP08a for the GSP Group. The amount each Supplier will receive will be dependent on how far above the average it is and whether it has achieved the Standard.

The Modification Group believes that the Alternative Modification fulfils the directions of the Panel to the Group.

2.3 Summary Table

Aspect of P157	Proposed Modification	Alternative Modification
Serials	SP01, 2, 4, 8a, 8b, 8c	As per Proposed
Genuine pre-estimate of loss (GPOL)	SP01 and SP02 – administration charges SP04 – error in profiles SP08a – value of volume of energy that is uncertain, central incremental costs and in house costs to correct bad data SP08b and c - value of volume of energy that is uncertain, central incremental	As per Proposed

	costs	
Redistribution	Leave as currently	Average performance with amount received being relative to amount above average and an additional (2x share) if above Standard on a GSP Group basis
Caps	Amended cap on SP08a, b and c only 1%*Supplier Take*CAP	As per Proposed
Implementation Date	Calendar Day July 2005 (provisional)	Calendar Day November 2005 (provisional)

3 COSTS

The provisional costs of the different aspects of P157 and the overall costs of amending PARMS for the Proposed and Alternative Modifications are:

		Cost	Tolerance
1	Cutover Control	£8k	10%
2	Redistribution Based on Average Performance on SP08a	£112k	20%
3	Charging	£26k	15%
4	Reporting without Average performance	£42k	15%
5	Reporting with Average performance	£42k	15%

Proposed Modification (1,3,4)	£76k
Alternative Modification (1,2,3,5)	£188k

ELEXON implementation costs are included below. These cover changes to the relevant documents as well as implementation support.

		Stand Alone Cost	P157 Incremental Cost	Tolerance
ELEXON Implementation Resource Cost		47 Man days £14,100	112 Man days £31,300	+/- 10%

4 ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

The Group considered the question of whether P157 better facilitated the achievement of the Applicable BSC Objectives.

The Group considered the achievement of Applicable BSC Objectives (c) and (d) as being most suitable for P157:

Applicable BSC Objective 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;

Applicable BSC Objective d) - promoting efficiency in the implementation and administration of the balancing and Settlement arrangements.

4.1 Proposed Modification

A minority of the Group considered that overall the Proposed Modification better facilitated the achievement of the Applicable BSC Objectives. The Group and consultation respondents' comments that are relevant to the current Proposed Modification are:

- Revision of GPOL will make the process more cost reflective since the charges are more accurate;
- The existing cap calculation was not considered justifiable and has been removed. An amended cap has been introduced – having no cap was seen as being a barrier to entry to Parties and a cap that is inappropriate and is invoked frequently is detrimental to competition since Parties will not be incentivised to improve data as their maximum liability is not significant;
- Supplier Charges are supposed to be compensatory and the current redistribution does that.

A majority did not believe that the Proposed Modification better facilitated the achievement of the Applicable BSC Objectives:

- The reason the current mechanism does not provide an incentive is because of the redistribution – it is possible for a Party to receive back via the current redistribution much of the monies it paid out;
- The level of monies that will be circulated under P157 will be of a magnitude less than the level of monies that are currently circulated;
- The proposal makes gross assumptions in order to derive and apply average charge rates for poor performance against Serials, particularly SP08a, b, c. The proposed charges disregard individual Supplier data accuracy performance, and assume an average accuracy of estimated data based on a limited sample of doubtful validity. This will give charges which are overgenerous for some Parties and penal for others, and for HH Suppliers this discrimination will be greater than under the current arrangements due to the higher proposed rates.

4.2 Alternative Modification

A majority of the Group considered that overall the Alternative Modification better facilitated the achievement of the Applicable BSC Objectives as compared to both the current baseline and the Proposed Modification. The Group and consultation respondents' comments relevant to the Alternative Modification are:

- Revision of GPOL will make the process more cost reflective since the charges are more accurate;
- The existing cap calculation was not considered justifiable and has been removed. An amended cap has been introduced – having no cap was seen as being a barrier to entry to Parties and a cap that is inappropriate and invoked frequently is anticompetitive since Parties will not be incentivised to improve data as their maximum liability is not significant;

- It should act as an incentive on Parties to address poor data quality issues – mainly as a result of the amended redistribution;
- The efficiency of BSCCo should increase as less time should be required to be spent on improving poor performance and dealing with data quality issues;
- The level of monies that will be circulated under P157 will be of a magnitude less than the level of monies that are currently circulated. However, this may still better meet the applicable BSC objectives if the monies are circulated amongst the right Parties.

However a minority considered that the Alternative Modification did not better facilitate the achievement of the Applicable BSC Objectives:

- P157 does not create a clear, transparent and predictable incentive which was the defect identified by the Modification Proposal;
- The Alternative Modification redistribution could be discriminatory by nature, and thus would not meet the Applicable BSC Objectives;
- The Alternative represents a shift away from charges being related to the Genuine Pre Estimate of Loss and the use of Liquidated Damages to a system of fines and incentives;
- The proposal is more complicated;
- The industry has yet to see the benefits from P99 so it is difficult to calculate if P157 is better than the current mechanism in place;
- The proposal makes gross assumptions in order to derive and apply average charge rates for poor performance against Serials, particularly SP08a, b, c. The proposed charges disregard individual Supplier data accuracy performance, and assume an average accuracy of estimated data based on a limited sample of doubtful validity. This will give charges which are overgenerous for some parties and penal for others, and for HH Suppliers this discrimination will be greater than under the current arrangements due to the higher proposed rates.

5 CHANGES

Further to the last consultation the Group have considered and confirmed its preference for the operation of the review and the Implementation Date. Its thoughts are detailed here for information.

5.1 Review of Supplier Charges

The Group considered whether and how the genuine pre-estimate of loss value should be reviewed. The Group considered the current increase in the value according to RPI that is currently contained in Annex S-1 of the Code and after looking at the response to the last consultation document, the Group decided that the value of the genuine pre-estimate of loss should be reviewed every 2 years.

Details of the review and the reasoning behind each aspect are given below:

- The Panel would have charge of the review but is likely to delegate this to ELEXON to perform. This is the same as several other reviews that are undertaken under the Code;
- The review would rerun the methodology that was confirmed under P157 (see section 2.1.2 above) using more up to date data where possible;
- The results of the review would not go out for industry consultation since the methodology used would have been agreed by the industry as part of P157 and the Code would make participants aware that the value of the genuine pre-estimate of loss could either reduce or increase;
- The Panel would approve the review; and
- A circular would be issued warning Parties of the review and also of the change, if any, in the values. The values will also appear on the BSC Website.

The methodology confirmed as being used to calculate the genuine pre-estimate of loss under P157 was consulted on as being outlined in one of the relevant BSCPs. Any change in the methodology used to calculate the genuine pre-estimate of loss could only have occurred via a Change Proposal and would therefore undergo full industry consultation as provided for under BSCP40. However the Group have reconsidered this and believe it is important to have the methodology contained within the Code such that any amendment would go via the Modification Process. This was since the Group felt it should be considered against the Applicable BSC Objectives and go to Ofgem for decision via the Panel as well as undergoing industry consultation (as it would under BSCP40).

5.2 Implementation Date

The Group considered the previously suggested Implementation Date of July 2005 and decided to reassess this date since the Assessment Procedure had been extended several times. The Group noted that a Calendar Day implementation would have a retrospective effect, but felt that it was justified as a date set in the future would ensure that Parties had enough time to improve performance before the new charges took effect.

The Implementation Date recommended by the Group for the Proposed Modification is a Calendar Day, July 2005 Implementation Date since there will only be changes to the charges and the cap. For the Alternative Modification a Calendar Day, November 2005 Implementation Date is suggested as more complex changes are required and there is a major change to the redistribution mechanism in addition to the cap and the charges. This means that longer is required for the system changes to be implemented as well as for Parties to be aware of the new rules and amend their systems and processes. These Implementation Dates are provisional.

The advantages of a Calendar Day Implementation Date are as follows:

- Calendar Day implementation means that the old rules are stopped and the new ones started. There are thus no problems deciding how to combine the new rules with the old especially regarding caps and redistribution which are calculated on a Parties overall position for any given month;
- Calendar Day implementation set for a future date means that Parties will know the rules in advance of the implementation. In this way the problem of lack of knowledge of obligations that would be associated with an earlier Calendar Day implementation (e.g. November 2004), is ameliorated;
- A July 2005 or post July 2005 Implementation Date allows pre P99 rules to be fully run off before P157 is introduced hence data used in P157 will be solely post P99 data; and
- Development can take place in the scheduled June 2005/November 2005 Release, which will allow system and process changes to be made in the most efficient manner.

6 CONSULTATION

Respondents are invited to respond to the questions contained in the attached pro-forma. For reference, the Applicable BSC Objectives are as follows:

- 3(a) the efficient discharge by the licensee of the obligations imposed upon it by this licence and, during the transition period, shall include the efficient discharge by the licensee of those obligations which it is known (or reasonably anticipated) during the transition period are to be imposed on the licensee by this licence after the expiry of the transition period;
- (b) the efficient, economic and co-ordinated operation of the licensee's transmission system and the efficient, economic and co-ordinated operation of the GB transmission system;
- (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;
- (d) promoting efficiency in the implementation and administration of the balancing and settlement arrangements; and
- (e) without prejudice to the foregoing objectives and subject to paragraph 3A, the undertaking of work by BSCCo (as defined in the BSC) which is;
- (i) necessary for the timely and effective implementation of BETTA; and
 - (ii) relevant to the proposed GB wide balancing and settlement code;

and does not prevent BSCCo performing its other functions under the BSC in accordance with its objectives.

- 3A for the purpose of, and without prejudice to, paragraph 5(a), in order to better achieve the objective referred to in 3(e), any modification to the BSC providing for the undertaking of work by the BSCCo pursuant to paragraph 3(e) must include express provision that:
- (i) such work is proposed by BSCCo and approved by the Authority prior to its commencement; and
 - (ii) the costs of such work as may be carried out by BSCCo shall be identified and recorded separately by BSCCo.

You are invited to respond to the questions in the attached pro-forma.

Please send your responses entitled 'P157 Assessment Consultation' by Friday 17:00 on 17 September 2004 to the following email address: modification.consultations@elexon.co.uk.

Any queries on the content of the consultation pro-forma should be addressed to Dena Harris (020 7380 4364) e-mail address Dena.Harris@elexon.co.uk

References

Ref	Document	Owner	Issue date	Version	Document Link
Reference 1	P157 Modification Proposal	N/a	05/01/04	1.0	http://www.elexon.co.uk/documents/modifications/157/P157.pdf
Reference 2	Issue 6: Report from the VASMG	VASMG	07/11/03	Final	http://www.elexon.co.uk/documents/BSC Panel and Panel Committees/BSC Panel Meetings 2003 - 069 - Papers/69_020.pdf
Reference 3	P157 Initial Written Assessment	ELEXON	09/01/04	1.0	http://www.elexon.co.uk/documents/modifications/157/71_012a.pdf
Reference 4	P157 Definition Report	ELEXON	05/03/04	1.0	http://www.elexon.co.uk/documents/modifications/157/74_012a_P157DR.pdf
Reference 5	P157 Assessment Consultation	ELEXON	10/05/04	1.0	http://www.elexon.co.uk/documents/modifications/157/P157AC10.doc
Reference 6	P157 Interim Report	ELEXON	04/06/04	1.0	http://www.elexon.co.uk/documents/modifications/157/78_009a_P157_IR.pdf
Reference 7	P157 Second Interim Report	ELEXON	02/07/04	1.0	http://www.elexon.co.uk/documents/modifications/157/79_005a_P157_IR.pdf
Reference 8	P157 Third Interim Report	ELEXON	09/09/04	1.0	http://www.elexon.co.uk/changeimplementation/ModificationProcess/modificationdocumentation/modProposalView.aspx?propID=163

Ref

Appendix 1: Value of volume of energy that is assumed to be uncertain

The Group considered this to be an important component of the genuine pre-estimate of loss calculation for all SP08 Serials.

This methodology assumes:

- The change in the overall volume between SF and RF is caused by replacing estimates with actuals;
- The change in the overall volume therefore gives a measure of how much inaccuracy was in the estimates that have been replaced;
- The % volume change over a time period was compared with the corresponding % change in estimates over the same period to get the average % volume change for % of estimate change;
- The level of inaccuracy in the estimates remaining at RF is comparable to that in the estimates replaced after SF.

The calculations were performed separately for HH and NHH data for a sample of eight Suppliers in all GSP Groups. over two, two month periods. The calculations worked out the change in percentage estimates between SF and DF and the corresponding change in volume that these estimates were assumed to have caused. The average change in volume that a 1% change in the % of estimates brings about was calculated. The loss that this will cause other Suppliers in Settlement is calculated by applying a price to this volume. This price is termed the imbalance differential and is calculated as the average of the difference between System Sell Price (SSP) and Market Price, and System Buy Price (SBP) and Market Price, over a year from 11 Mar 2003 to 10 March 2004 inclusive. This value is used as it is assumed that a Party will have contracted its energy at the Market Price and the inaccuracy of another Supplier's estimation will push a Supplier longer or shorter and hence the difference between its imbalance charges and its contracted charges is used.

Examples of the £/MWh value calculated and the methodology are below

The calculations were performed separately for HH and NHH Suppliers

For NHH – relevant to SP08a

Data was used for May, June, October and November 2001 for a sample of 8 Suppliers, for all GSP Groups.

The percentage change in volume between SF and DF per Supplier per GSP Group (a) was compared with the corresponding percentage change in estimates (b)

The percentage change in volume per percentage change in estimates (a)/(b) was calculated followed by the volume weighted average of these values (c) - this represents the average inaccuracy in an average estimate

To find the price/cost of that energy – (P), the average of SSP, SBP and market price over a year from 11 Mar 2003 to 10 March 2004 inclusive was calculated and the average of the difference between SSP and market price and SBP and market price was calculated:

The average of SSP over a year from 11 Mar 2003 to 10 March 2004 inclusive = £15.11

The average of SBP over a year from 11 Mar 2003 to 10 March 2004 inclusive = £22.53

The average of market price from 11 Mar 2003 to 10 March 2004 inclusive = £18.79

The average of the differentials is £3.714

P=£3.714

The charge per MWh that a Supplier is below the Standard is thus computed as (c) * (P)

For this data any spurious looking data in the HH sample was removed. This was data that for any of the dates considered had an increase in estimates between SF and DF. If this occurred, the whole Supplier in that GSP Group was eliminated from the analysis.

Results: May/June 2001 and Oct/Nov 2001 –

	Average SP08a
SF-DF volume change / % change in estimates	±3.02%
SF-DF volume change / % change in estimates *P	£ 0.112/MWh

For NHH – relevant to SP08b and SP08c

Appendix 2 central costs NHH and HH

Central Costs – incremental costs

The central costs are approximated below:

Technique	Annual Costs £m	Suggested Savings £m
Audit ¹	2.6	0.50
Technical Assurance of Metering Systems	0.8	0
Certification	0.03	0
BSCCO, PAB, TA (Supplier & Supplier Agents), Education, Monitoring, Disputes etc ²	0.75	0.01
Total	4.18	0.51

Additional effort spent on performance issues including OSMs:

No of man days a year	211
Cost of time in 1 year	£0.04m

The market size is approximated below:

	TWh
Total market	350
NHH market	128
HH market	222

The suggested savings of the PAF costs are added to the incremental time³ spent by BSCCo as part of its added value service for dealing with Suppliers under-performance related issues and costed at £200 per man day:

¹ This is based on Parties compliance with BSC Processes and subsequent attainment of the relevant Standards without the creation of settlement error.

² The majority of cost savings that would be made would be via a reduction in the amount of support that ELEXON would provide to participants. This support comes via education provided at workshops, seminars, publication of guidance notes etc. and also a reduction in the number of required internal escalations and escalations to the Panel and its committees.

£/MWh	NHH	HH
Total	0.002	0.001

Appendix 3 SP04

Charge for uncertainty between HH and NHH metering (i.e. use of profiles) – SP04

Take some HH actual data close to the 100kW consumption – customers with consumption only just over 100kW were chosen since it was assumed that there is a natural incentive and it is expected, for very large customers to have HH Metering installed and those who breach SP04 are likely to be close to the 100kW cut off.

Step 1: to calculate error in the profile

	<i>Period 1</i>	<i>Period 2</i>	<i>etc</i>
<i>Settlement Day 1</i>	actual	HH	Customer data
<i>Settlement Day 2</i>	Total Sum = X		
<i>Etc</i>			

	<i>Period 1</i>	<i>Period 2</i>	<i>etc</i>
<i>Settlement Day 1</i>	Profile	data	Multiplied up
<i>Settlement Day 2</i>	Total Sum = X		
<i>Etc</i>			

	<i>Period 1</i>	<i>Period 2</i>	<i>etc</i>
<i>Settlement Day 1</i>	Error =	Profile	data
<i>Settlement Day 2</i>	Minus	actual	data
<i>Etc</i>			

Step 2: to calculate the cost of this error in the balancing mechanism – Average difference of SSP and market Price and SBP and market Price

	<i>Period 1</i>	<i>Period 2</i>	<i>etc</i>

³ This is calculated using the BSCCo timesheet system.

<i>Settlement Day 1</i>	Imbalance	Price	Differential
<i>Settlement Day 2</i>			
<i>Etc</i>			

Step 3: to calculate the cost of the error multiply the error by the imbalance price differential to get a cost for each period over each Settlement Day

	<i>Period 1</i>	<i>Period 2</i>	<i>etc</i>
<i>Settlement Day 1</i>	Cost	of	error
<i>Settlement Day 2</i>	Imbalance price differential	Multiplied by	error
<i>Etc</i>			

Step 4: sum the cost and divide it by the number of Settlement Days to get a cost per day value

Appendix 4 summary of loss and comparison with current Supplier Charges

Note: SP08b and c the same data is used SP08b is HH target of 99% at R1, SP08b is HH target of 99% at RF.

£/MWh	SP08a	SP08b	SP08c
Value of volume of energy assumed to be uncertain 1)	£0.11	£3.21	£3.21
Incremental Central Costs	£0.002	£0.001	£0.001
In house Supplier costs to correct bad data	£0.09		
Total	£0.202	£3.211	£3.211
Current Supplier Charges	£0.14R3	£0.14SF	
Current Supplier Charges	£1.57RF	£1.57R1	£1.57RF

£ per day	SP04
Difference between profile and actual	£1.66
Current Supplier Charges	£2.95

£ per day	SP01	SP02	
Administration Costs	£20	£20	Per day only
Current Supplier Charges	£28.03	£28.03	Per GSP Group per day

Appendix 5 Serials suited to Supplier Charges

SP01 and SP02

There is currently a charge associated with these Serials which look at the timeliness of PARMS data provision. The Group considered that it was important to incentivise Suppliers to provide data in a timely manner; therefore they agreed that these Serials should have Supplier Charges attached.

SP04

This Serial is concerned with the timely installation of mandatory Half Hourly (HH) metering. The Group felt that it was important that Suppliers install HH metering for all sites/Premises over 100KW, therefore this Serial was also deemed by the Group to be appropriate for Supplier Charges.

SP08a, b and c

This Serial is concerned with the provision of accurate data based on Annualised Advances (AAs) /Actuals into Settlements. Under SP08a, the Group felt that Suppliers ought to be charged if they fail to provide AAs for 97% of NHH meters at Final Reconciliation (RF). SP08b is a charge applied to Suppliers who fail to provide actuals for 99% of HH meters above 100kW at the First Reconciliation Run (R1). Finally SP08c is a charge applied to Suppliers who fail to provide actuals for 99% of HH meters below 100kW at RF. The Group considered SP08a, b and c and deemed them appropriate to have Supplier Charges attached under P157.

Please note: Charges should continue to be applied to importing meters only on the basis that estimations of export are either zero or profiled using strict techniques.