

## Draft MODIFICATION REPORT for Modification Proposal P154

# Rectification of Inconsistencies in the Application of BSC Change Management Processes

Prepared by: Governance Standing Modification Group

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

### RECOMMENDATIONS

Having considered and taken due account of the contents of the draft P154 Modification Report, the Balancing and Settlement Code Panel recommends:

- **that Proposed Modification P154 should be made;**
- **the P154 Implementation Date of 5 Working Days after an Authority decision; and**
- **the proposed text for modifying the Code, as set out in the draft Modification Report.**

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

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## SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

The following parties/documents have been identified as being potentially impacted by Modification Proposal P154:

Parties <sup>2</sup>	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 checked="" type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
<b>Party Agents<sup>3</sup></b>		
Data Aggregators <input checked="" type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
Data Collectors <input checked="" type="checkbox"/>	H <input type="checkbox"/>	MIDS <input type="checkbox"/>
Meter Operator Agents <input checked="" type="checkbox"/>	J <input type="checkbox"/>	<b>Core Industry Documents</b>
ECVNA <input checked="" type="checkbox"/>	K <input type="checkbox"/>	Grid Code <input type="checkbox"/>
MVRNA <input checked="" type="checkbox"/>	L <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
<b>BSC Agents</b>		
SAA <input type="checkbox"/>	M <input type="checkbox"/>	Ancillary Services Agreements <input type="checkbox"/>
FAA <input type="checkbox"/>	N <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	O <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
ECVAA <input type="checkbox"/>	P <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
CDCA <input type="checkbox"/>	Q <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
TAA <input type="checkbox"/>	R <input type="checkbox"/>	Settlement Agreement for Scotland <input type="checkbox"/>
CRA <input type="checkbox"/>	S <input type="checkbox"/>	Distribution Codes <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	T <input type="checkbox"/>	Distribution Use of System Agreements <input type="checkbox"/>
SVAA <input type="checkbox"/>	U <input type="checkbox"/>	Distribution Connection Agreements <input type="checkbox"/>
BSC Auditor <input type="checkbox"/>	V <input type="checkbox"/>	<b>BSCCo</b>
Profile Administrator <input type="checkbox"/>	W <input type="checkbox"/>	Internal Working Procedures <input type="checkbox"/>
Certification Agent <input type="checkbox"/>	X <input type="checkbox"/>	<b>Other Documents</b>
MIDP <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
TLFA <input type="checkbox"/>		
<b>Other Agents</b>		
SMRA <input type="checkbox"/>		
Data Transmission Provider <input type="checkbox"/>		

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

<sup>2</sup> Note that it is anticipated that any impact on Parties would be minimal - the Proposed Modification seeks to clarify Section F such that it is consistent with operational practice.

<sup>3</sup> Note that it is anticipated that any impact on Parties Agents would be minimal - the Proposed Modification seeks to clarify Section F such that it is consistent with operational practice.

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

## 1.1 Modification Proposal

Modification Proposal 154 "Rectification of Inconsistencies in the Application of BSC Change Management Processes" (P154) (Reference 1), raised on 1 December 2003 by Npower Limited (the Proposer), seeks to clarify and expand the scope of the change management procedures contained in Section F3 of the Code.

The Proposer believes that Section F3 of the Code should be modified to clarify that the procedures therein apply in full to all changes to Code Subsidiary Documents (CSDs), including those made pursuant to Approved Modification Proposals, and that the scope of those procedures should be expanded to cover documents related to CSDs which impose rights or obligations (e.g. test scripts referred to in BSCPs).

According to the Proposer, changes to CSDs, because they relate to the detailed systems and business processes which Parties and Party Agents are required to operate, may often have a more significant impact on Parties than changes to the Code itself. Moreover, the Proposer believes that ELEXON appears to have been interpreting Section F3 of Code in an inconsistent manner. Changes to CSDs made as a consequence of a Modification Proposal do not always appear to have been subjected to the full change management procedures or have been made the subject of a new Modification Proposal when identified after the approval of the Modification Proposal in question. In addition, changes to CSD-related documents, imposing rights and obligations on Parties, appear not to require any formal and transparent change management procedures or approval by the Panel or a Panel Committee in all instances.

The Proposer outlined five key procedural steps, deemed essential to a transparent change management procedure, which do not always appear to have been taken either at the right time or at all. The five steps identified are as follows:

- raising of a Change Proposal (CP);
- publication of a CP on the BSC Website;
- updating of the Change Register;
- presentation of a CP to the relevant Panel Committee for a decision; and
- presentation of revised CSDs (or related documents) to the relevant Panel Committee for approval and confirmation of the Implementation/Effective Date.

Two examples of failure to carry out some of the key procedural steps outlined above were provided by the Proposer<sup>4</sup>:

- Approved Modification P99 'Changes to Accreditation and the PARMS Serials and Standards, resulting from the Performance Assurance Framework (PAF) Review (Phase 1)': the development

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<sup>4</sup> ELEXON indicated that it interpreted the Code such that the full change management procedures prescribed in Section F3 applied to all CSD changes, and that this was its operational policy. However, ELEXON recognised that, in the specific instance of the changes made to the 'PARMS Calculation Guidelines' made pursuant to Approved Modification P99, the full review and approval processes had not be undertaken at the time P154 was submitted. Although ELEXON confirmed that the changes had now undergone industry review and Panel Committee approval.

of and changes to the 'PARMS Calculation Guidelines', which is part of BSCP533, were not subject to the full change management procedures specified in Section F3 of the Code.

- Implemented Modification P62 'Changes to Facilitate Competitive Supply on the Networks of New Licensed Distributors': the 'Trading Arrangements Change Compliance' document, which introduced significant rights and obligations which were not identified during the Modification Procedure, was not subject to the full change procedures specified in Section F3 of the Code or approved by any Panel Committee.

Implementation of P154 would, according to the Proposer, better facilitate the achievement of Applicable BSC Objectives (c) and (d), by ensuring that good 'Quality Management' is adhered to in the operation of the change management procedures contained in Section F3 of the Code. Achievement of those two Applicable BSC Objectives would be better facilitated as follows:

- Applicable BSC Objective (c) 'Promoting effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity': P154 would reduce the risk of onerous new obligations being imposed, which are likely to have a larger impact (in relative terms) on smaller Suppliers.
- Applicable BSC Objective (d) 'Promoting Efficiency in the implementation and administration of the balancing and settlement arrangements': P154 would ensure that all proposed changes to CSDs, and related documents, are subject to proper scrutiny and that the need for costly revisions and unjustified BSCCo operational costs are avoided.

ELEXON produced an Initial Written Assessment (IWA) (Reference 2) of P154, which was presented to the Panel on 11 December 2003. The Panel agreed with ELEXON's recommendation to submit P154 to a three-month Assessment Procedure, such that an Assessment Report would be presented at the 11 March 2004 Panel meeting. However, the Panel also noted ELEXON's observation that a Modification Proposal might not be required to address the perceived defect. As a consequence, the Panel requested that an Interim Report be provided to its 12 February 2004 meeting, indicating whether or not a Modification Proposal was required.

The Governance Standing Modification Group (GSMG) met twice during January 2004 to consider P154. At those meetings the primary focus was consideration of whether or not any issues, rectification of which would require modification of the Code, had been identified in P154.

An Interim Report (Reference 3) was presented at the Panel meeting held on 12 February 2004. In the report, the GSMG recommended that the Assessment Procedure should be terminated and that the Proposed Modification (see below) should be submitted to the Report Phase, with a recommendation that it should be made. The GSMG believed that the Assessment Procedure could be terminated ahead of schedule because there were no outstanding issues requiring assessment. The Panel agreed with the recommendations of the GSMG and submitted P154 to the Report Phase (the rationale for the Panel decision is documented in more detail in Section 3). The Panel noted that the Industry would be consulted on the proposed change during the Report Phase.

A draft Modification Report was produced and issued for consultation on 17 February 2004, with a response deadline of 1 March 2004. Ten responses were received. All responses received are attached as Annex 3 of this report and summary of responses is provided in section 6 of the report.

## **1.2 Proposed Modification**

The GSMG concluded that paragraph F3.2.1 of the Code requires amendment to clarify that all changes to CSDs must be consulted on to a level of detail and according to a timetable deemed appropriate by

the Panel, regardless of whether or not consultation had taken place earlier in the Modification Procedure.

To achieve this clarification, the GSMG has developed a Proposed Modification P154 constituting legal text which would remove reference to previous consultation undertaken on a Proposed or Alternative Modification, as the case may be.

Draft legal text to give effect to the Proposed Modification is attached as Annex 1 of this report.

### **1.3 Issues raised by the Proposed Modification**

The following issues were considered during the Assessment of Proposed Modification P154:

- Assessment against the Applicable BSC Objectives;
- Consultation requirements for CSD changes made pursuant to Approved Modifications;
- Change Management Procedure for non-CSD documents;
- Possibility of extending the definition of a CSD;
- Whether or not 'Configurable Items' grant rights and impose obligations on Parties;
- Legal text drafting; and
- Implementation Date.

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

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

The GSMG was of the opinion that implementation of the Proposed Modification would better facilitate achievement of Applicable BSC Objectives (c) and (d).

Implementation of P154 would enhance the efficiency of the Modification Procedure – ensuring that all changes to CSDs receive appropriate scrutiny would reduce the likelihood of costly revisions needing to be made during implementation (i.e. Applicable BSC Objective (d)). As a consequence, the likelihood of onerous new obligations being imposed during implementation, that would disproportionately affect smaller Parties, would also be reduced (i.e. Applicable BSC Objective (c)).

### **1.5 Modification Group's cost benefit analysis of Proposed Modification**

The GSMG noted that the implementation costs for P154 would be negligible (i.e. those incurred through the deletion of a single phrase from the Code), because the Proposed Modification would clarify the Code in line with ELEXON's operational policy regarding consultation on changes to CSDs.

The GSMG considered it was not possible to put a meaningful Pounds Sterling figure on the benefits that would be provided by the Proposed Modification. However, the GSMG was of the opinion that ensuring proper scrutiny of all proposed changes to CSDs offered a significant benefit in terms of the savings that would be realised through reducing the likelihood of costly changes being required during the implementation of an Approved Modification.

### **1.6 Alternative Modification**

No Alternative Modification was developed by the GSMG.

The GSMG discussed a potential Alternative Modification to enable Approved Modification Proposals to be referred back to the Authority to reconsider its decision where there was a significant change in

circumstances (e.g. new impacts with significant cost implications identified after the Authority determination). However, the GSMG rejected the idea on the grounds that it would undermine governance of change to the Code. Uncertainty regarding the finality of all Authority determinations would be introduced and confidence in Modification Group and Panel recommendations would be undermined. In addition, the GSMG agreed that the objective should be to identify and quantify all impacts early in the Modification Procedure.

## 1.7 Governance and regulatory framework assessment

No impact on the statutory, regulatory or the contractual framework within which the Code sits was identified.

## 2 COSTS<sup>5</sup>

### PROGRESSING MODIFICATION PROPOSAL

<b>Demand Led Cost</b>	£0
<b>ELEXON Resource</b>	40 Man days £10,000

### IMPLEMENTATION COSTS

		Stand Alone Cost	P154 Incremental Cost	Tolerance
<b>Service Provider<sup>6</sup> Cost</b>				
	Change Specific Cost	£0	£0	0
	Release Cost	£0	£0	0
	Incremental Release Cost	£0	£0	0
	<b>Total Service Provider Cost</b>	£0	£0	0
<b>Implementation Cost</b>				
	External Audit	£0	£0	0
	Design Clarifications	£0	£0	0
	Additional Resource Costs	£0	£0	0

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

<sup>6</sup> BSC Agent and non-BSC Agent Service Provider and software Costs

	Additional Testing and Audit Support Costs	£0	£0	0
<b>Total Demand Led Implementation Cost</b>		£0	£0	0

<b>ELEXON Implementation Resource Cost</b>		5 Man days <sup>7</sup> £2,000	5 Man days <sup>8</sup> £2,000	0 0
<b>Total Implementation Cost</b>		£2,000	£2,000	0

## ONGOING SUPPORT AND MAINTENANCE COSTS

	Stand Alone Cost	P154 Incremental Cost	Tolerance
Service Provider Operation Cost	£0 p.a.	£0 p.a.	0
Service Provider Maintenance Cost	£0 p.a.	£ p.a.	0
ELEXON Operational Cost	£0 p.a.	£ p.a.	0

### 3 RATIONALE FOR PANEL'S RECOMMENDATIONS

The Panel considered P154 at its 12 February 2004 meeting and made the provisional recommendation that the Proposed Modification should be made with an Implementation Date of 5 Working Days after an Authority determination.

The Panel agreed with the GSMG's assessment of P154, an ambiguity had been identified in the Code and that its clarification would better facilitate achievement of the Applicable BSC Objectives ((c) and (d)) at negligible cost.

The Proposed Modification would enhance the efficiency of the Modification Procedure – ensuring that all changes to CSDs receive appropriate scrutiny would reduce the likelihood of costly revisions needing to be made during implementation (i.e. Applicable BSC Objective (d)). As a consequence, the likelihood of onerous new obligations being imposed during implementation, that would disproportionately affect smaller Parties, would also be reduced (i.e. Applicable BSC Objective (c)).

*[Add further Panel discussion and final recommendation once available]*

### 4 IMPACT ON BSC SYSTEMS AND PARTIES

An assessment was undertaken and no impacts on BSCCo, Parties or the BSC Systems were identified.

<sup>7</sup> Note that this resource estimate covers changing the Code, the BSC Website and the Baseline Statement to reflect the Proposed Modification.

<sup>8</sup> See footnote 5 above.



The clarification proposed by P154 would bring the Code in line with ELEXON's operational policy regarding consultation on proposed changes to CSDs made pursuant to an Approved Modification. Therefore, there would not be an increase in the level of consultation.

## 5 IMPACT ON CODE AND DOCUMENTATION

### 5.1 Balancing and Settlement Code

The first phrase in paragraph F3.2.1 would need to be deleted to give effect to the Proposed Modification. Draft legal text as attached as Annex 1.

### 5.2 Code Subsidiary Documents

No impact to Code Subsidiary Documents was identified.

### 5.3 BSCCo Memorandum and Articles of Association

No impact on the BSCCo Memorandum and Articles of Association was identified.

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

No impact on Core Industry Documents was identified.

## 6 SUMMARY OF CONSULTATIONS

Ten responses (39 Parties) were received to the consultation on the draft Modification Report. The table below provides a high-level summary of those responses and the following sub-sections provide a more detailed summary of the responses to each of the questions asked.

Consultation question	Respondent agrees	Respondent disagrees	Opinion unexpressed
Do you agree with the Panel's views on P154 and the provisional recommendation to the Authority contained in the draft Modification Report that P154 should be made?	9 (38)	0	1(1)
Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?	9 (38)	0	1(1)
Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P154?	9 (38)	0	1(1)
Are there any further comments on P154 that you wish to make?	6(19)	3 (19)	1(1)

### 6.1 Panel's Provisional Recommendation

Nine of the ten respondents supported the Panel's provisional recommendation that P154 should be made. These respondents were of the opinion that implementation of P154 would ensure that change management is applied consistently to all CSD changes, would provide Parties with the confidence that full consultation on changes to CSDs has taken place prior to those changes being made and clarify the consultation requirements for changes to CSDs.

Two of the respondents supporting the Panel's provisional recommendation explicitly mentioned Applicable BSC Objectives. One supported the Panel view that achievement of the Applicable BSC

Objectives (c) and (d) would be better facilitated. The other indicated that implementation of P154 would increase the visibility of new or amended obligations in CSDs, thereby better facilitating achievement of Applicable BSC Objective (d).

One respondent did not comment on the Panel's provisional recommendation.

## **6.2 Draft Legal Text**

Nine of the ten respondents supported the Panel's view that the draft legal text would correctly address the issue identified by P154 by clarifying that all changes to CSD documents, including those pursuant to Approved Modifications, must be consulted on in full. However, one of those respondents added that the issues identified by P154 would only be fully addressed if a review of BSCP40 is carried out to clarify the change management procedure for changes to non-CSD documents and review the timescales for the assessment and progression of CSD changes made pursuant to Approved Modification Proposals. Another respondent indicated that the proposed review of BSCP40 ought to take into account the change being proposed under P154.

One respondent did not comment on the Panel's provisional recommendation.

## **6.3 Recommended Implementation Date**

Nine of the ten respondents supported the recommended Implementation Date of 5 Working Days after an Authority decision. However, one of those respondents noted that there was a possibility that CSD changes forming part of Approved Modifications yet to be implemented might require "urgent" consultation were P154 approved and implemented. ELEXON does not believe this is an issue as P154 would clarify the Code in line with current practice, rather than introduce additional consultation requirements. The third respondent noted that where detailed consultation on CSD changes had already been undertaken during the assessment of an Approved Modification, they expected that any further changes following approval would be minimal and that the associated consultation would primarily focus affirmation of previously proposed changes.

One respondent did not comment on the recommended Implementation Date.

## **6.4 Further Comments**

Three respondents made further comments. One indicated that, should the Authority determine that P154 should be made, care would need to be taken to set Implementation Dates which provided sufficient time for the required consultation on CSD changes to take place. Another indicated that the Proposed Modification did not fully address whether 'obligations' arising from documents that are not CSDs are legally binding on Parties. However, this respondent noted that the formal inclusion of such documents within the scope of BSCP40 would address this issue.

## **6.5 Comments and views of the Panel**

*[To be inserted once received]*

# **7 SUMMARY OF TRANSMISSION COMPANY ANALYSIS**

The Transmission Company indicated that the Proposed Modification would have no impact on either its systems or processes.

# **8 SUMMARY OF EXTERNAL ADVICE**

No external advice was sought by the GSMG.

## 9 IMPLEMENTATION APPROACH

Implementation of the Proposed Modification would only require the deletion of a single phrase from the Code, and the associated changes to the Baseline Statement and the BSC Website, and this could be achieved within 5 Working Days after an Authority determination.

## 10 DOCUMENT CONTROL

### 10.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	16/02/04	Roger Salomone	Sarah Parsons	Change Delivery Review
0.2	17/02/04	Roger Salomone	Industry	Consultation
0.3	02/03/04	Roger Salomone	Sarah Parsons	Change Delivery Review
0.4	03/03/04	Roger Salomone	David Osborne	Change Delivery Review
0.5	05/03/04	Roger Salomone	BSC Panel	For BSC Panel Decision

### 10.2 References

Ref	Document	Owner	Issue date	Version
1	Modification Proposal P154 ( <a href="http://www.elexon.co.uk/docs/ta/modifications/modsprops/P154/p154.pdf">http://www.elexon.co.uk/docs/ta/modifications/modsprops/P154/p154.pdf</a> )	-	01/12/03	-
2	Modification Proposal P154 IWA	-	05/12/03	1.0
3	Modification Proposal P154 Interim Report	-	06/02/04	1.0

## ANNEX 1 DRAFT LEGAL TEXT

The following change to paragraph F3.2.1 is proposed to give effect to the Proposed Modification:

~~"Save where consultation is carried out as part of the evaluation of a Proposed Modification or Alternative Modification pursuant to paragraph 2,~~ [T]he Panel shall, prior to making any modification to a Code Subsidiary Document or to establishing a new Code Subsidiary Document pursuant to paragraph 3.1.1, consult with Parties and interested third parties in such manner as it considers appropriate, in the light of the complexity, importance and urgency of the proposed change and shall have regard to any representations made and not withdrawn during such consultation."

## ANNEX 2 MODIFICATION GROUP DETAILS

The GSMG met twice during the P154 Assessment Procedure. The membership of the GSMG for P154 was as follows:

Member	Organisation	No. of Meetings Attended
Sarah Parsons	ELEXON (Chair)	2
Roger Salomone	ELEXON (Lead Analyst)	2
Richard Harrison	Innogy (Proposer)	2
John Sykes	Scottish and Southern Energy	2
Mark Manley	British Gas Trading	2
James Nixon	Scottish Power	1
Rachel Lockley	British Energy	0
Helen Bray	London Electricity	0
Claire Talbot	National Grid Transco	2

In addition to the GSMG members recorded above, the following attendees were present at least one of the meetings:

Member	Organisation	No. of Meetings Attended
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Member	Organisation	No. of Meetings Attended
Jerome Williams	Ofgem	2
Alex Grieve	ELEXON (CVA Programme)	1
David Osborne	ELEXON (Change Planning)	1
Robert Finch	British Gas Trading	1

### ANNEX 3 CONSULTATION RESPONSES

See separate attachment

### ANNEX 4 CLARIFICATION OF COSTS

There are several different types of costs relating to the implementation of Modification Proposals. ELEXON implements the majority of Approved Modifications under its CVA or SVA Release Programmes. These Programmes incur a base overhead which is broadly stable whatever the content of the Release. On top of this each Approved Modification incurs an incremental implementation cost. 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	
<b>Demand Led Cost</b>	This is the third party cost of progressing a Modification Proposal through the Modification Procedures in accordance with Section F of the Code. Service Provider Impact Assessments are covered by a contractual charge and so the Demand Led cost will typically be zero unless external Legal assistance or external consultancy is required.
<b>ELEXON Resource</b>	This is the ELEXON Resource requirement to progress the Modification Proposal through the Modification Procedures. This is estimated using a standard formula based on the length of the Modification Procedure.

### SERVICE PROVIDER<sup>9</sup> COSTS

<sup>9</sup> A Service Provider can be a BSC Agent or a non-BSC Agent, which provides a service or software as part of the BSC and BSC Agent Systems. The Service Provider cost will be the sum of the costs for all Service Providers who are impacted by the release.

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

<b>IMPLEMENTATION COSTS</b>	
<b>External Audit</b>	Allowance for the cost of external audit of the delivery of the release. For CVA BSC Systems Releases this is typically estimated as 8% of the total Service Provider Costs, with a tolerance of +/- 20%. At present the SVA Programme does not use an external auditor, so there is no External Audit cost associated with an SVA BSC Systems Release.
<b>Design Clarifications</b>	Allowance to cover the potential cost of making any amendments to the proposed solution to clarify any ambiguities identified during implementation. This is typically estimated as 5% of the total Service Provider Costs, with a tolerance of +/- 100%.
<b>Additional Resource Costs</b>	<p>Any short-term resource requirements in addition to the ELEXON resource available. For CVA BSC Systems Releases, this is typically only necessary if the proposed solution for a Modification Proposal would require more extensive testing than normal, procurements or 'in-house' development.</p> <p>For SVA BSC Systems Releases, this will include the management and operation of the Acceptance Testing and the associated testing environment.</p> <p>This cost relates solely to the short-term employment of contract staff to assist in the implementation of the release.</p>
<b>Additional Testing and Audit Support Costs</b>	Allowance for external assistance from the Service Provider(s) with testing, test environment and audit activities. Includes such activities as the creation of test environments and the operation of the Participant Test Service (PTS). For CVA BSC Systems Releases, this is typically estimated as £40k per release with at tolerance of +/-25%. For SVA BSC Systems Releases this is estimated on a Modification Proposal basis.

### TOTAL DEMAND LED IMPLEMENTATION COSTS

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

**ELEXON IMPLEMENTATION RESOURCE COSTS**

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

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

**ONGOING SUPPORT AND MAINTENANCE COSTS**

<b>ELEXON Operational Cost</b>	Cost, in man days per annum multiplied by project average daily rate, of operating the revised systems and processes post implementation.
<b>Service Provider Operation Cost</b>	Cost in £ per annum payable to the Service Provider(s) to cover staffing requirements, software or hardware licensing fees, communications charges or any hardware storage fees associated with the ongoing operation of the revised systems and processes.
<b>Service Provider Maintenance Cost</b>	Cost quoted in £ per annum payable to the Service Provider(s) to cover the maintenance of the amended BSC Systems.