

Modification Proposal

MP No: 143
(mandatory by BSCCo)

Title of Modification Proposal *(mandatory by proposer):*

Revision of P99 to halt the progression of the PARMS Serials, Standards and Supplier Charge elements.

Submission Date *(mandatory by proposer):* 1st September 2003

Description of Proposed Modification *(mandatory by proposer):*

Following the PAF Review (Phase 1) P99 was proposed to introduce amendments to the PARMS Serials and Standards as well as changes to the Accreditation and Entry Process Requirements. The purpose of this modification is to back out the PARMS Serials and Standards aspects and allow the Accreditation and Entry Process changes to continue through to implementation.

The ToR for the PAF Review dated 20th September 2001 stated that the "ToR should require consideration of industry costs as well as benefits". The PAF Final report dated 18th April 2002 cited estimated one-off set up costs of £250k for amendments to the Serials & Standards. This estimate was based on an incorrect assumption that the existing PARMS software could be enhanced as opposed to the delivery of new PARMS software. The Final Assessment Report dated 6th December 2002 "estimated that the benefit to industry could amount to a saving of £2-5m per annum". Ahead of the submission of this modification we have endeavoured to obtain a detailed understanding of the calculation of the benefits which has not been identified.

The latest P99 Project Plan cites a current set up cost of £2.2 m (of which £1.8m are demand led costs), an uplift of 900% against the original estimate. This is in addition to VASMG's documented and perceived set up costs to BSC Parties systems and processes of an additional £1-3m.

Additionally the VASMG is also reviewing the issue of the "Appropriateness of Supplier Charges" (formally raised by energywatch) on 2nd September 2003, within which the Expert Group will potentially agree a fundamental review of Supplier Charges. In light of this review we propose that Supplier Charges are also excluded from Modification P99, the rationale being that if changes to Supplier Charges are agreed the software requirements may change. In light of the potential for the software solution to P99 to require further amendments following the potential Supplier Charges review, Centrica believes that the industry should ensure that one software solution is delivered to encompass the amendments to the Serials, Standards and Supplier Charges which must be delivered in a cost efficient manner, i.e. one solution should be delivered to minimise the escalating costs.

In light of the substantial increase to the set up costs, the lack of transparency with regards to the cited annual benefits and the impending VASMG review of the "Appropriateness of Supplier Charges" we believe that the Serials, Standards & Supplier Charge requirements should be halted from progressing further within P99 and delivered within one cohesive and cost reflective solution. However, we do believe that the Accreditation and Entry Processes (almost completed) should continue to be implemented against the agreed P99 timescales.

The Serials and Standards aspects of Modification 99 was approved by the Panel based on a cost estimate of £250k against perceived annual benefits of £2-5m. In light of the set up costs increasing to £2.2m, the non-availability of the benefit calculations for review and the impending review of the "Appropriateness of Supplier Charges", a cost efficient solution cannot be delivered through P99. To mitigate the increasing costs to the industry of this change without appropriate benefits realisation and with a potential change in the form of amendments to the Supplier Charges on the radar we believe that the aforementioned aspects of P99 be halted and included within a holistic Modification following a review of the Supplier Charges and in conjunction with a further review of the complex levels of serials that are contributing to the escalating costs.

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Description of Issue or Defect that Modification Proposal Seeks to Address *(mandatory by proposer):*

It is recognised that the complexity within the current levels of serials is a contributing factor to the increasing costs of P99 and we recommend a review of these serials and encourage a simpler set of measures to be adopted to measure Suppliers Performance together with the recommendations as above.

Impact on Code *(optional by proposer):*

Impact on Core Industry Documents *(optional by proposer):*

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties *(optional by proposer):*

Impact on other Configurable Items *(optional by proposer):*

Justification for Proposed Modification with Reference to Applicable BSC Objectives *(mandatory by proposer):*

This Modification supports the Applicable BSC Objective (d) in promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

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Attachments: NO

If Yes, Title and No. of Pages of Each Attachment: