

INITIAL WRITTEN ASSESSMENT for Modification Proposal P143

Revision of P99 to Halt the Progression of the Performance Assurance Reporting Monitoring System (PARMS) Serials, Standards and Supplier Charge Elements

Prepared by: ELEXON¹ Limited

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|--------------------------|------------------|------------------------------|--------|
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| Reason for issue: | For Decision | Issue/Version number: | 1.0 |

This document has been distributed in accordance with Section F2.1.10² of the Balancing and Settlement Code.

RECOMMENDATIONS

On the basis of the initial assessment BSCCo recommends that the Panel:

- **DETERMINE that Modification Proposal P143 should be submitted to the Report Phase in accordance with Section F2.7 of the Code;**
- **NOTE that no legal text has been prepared for the Proposed Modification;**
- **CONSULT with the Authority to determine if the draft Modification Report should contain such text;**
- **AGREE the Report Phase timetable such that a draft Modification Report should be completed and submitted to the Panel for consideration at their meeting of 9 October 2003;**
- **AGREE that Proposed Modification P143 should not be made; and**
- **In the event that the Authority determines that Proposed Modification P143 should be made AGREE a provisional Implementation Date of 2 Working Days after the Authority Determination.**

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¹ ELEXON Ltd currently fulfils the role of the Balancing and Settlement Code Company ('BSCCo'), pursuant to Annex X-1 of the Balancing and Settlement Code (the 'Code').

² The current version of the Code can be found at www.elexon.co.uk/ta/bscrl_docs/bsc_code.html

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as BSCCo has been able to assess the following parties/documents have been initially identified as being potentially impacted by Modification Proposal P143.

| 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 type="checkbox"/> | C <input type="checkbox"/> | BSC Service Descriptions <input checked="" type="checkbox"/> | |
| Transmission Company <input type="checkbox"/> | D <input type="checkbox"/> | Service Lines <input checked="" type="checkbox"/> | |
| Interconnector <input type="checkbox"/> | E <input type="checkbox"/> | Data Catalogues <input type="checkbox"/> | |
| Distribution System Operators <input type="checkbox"/> | F <input type="checkbox"/> | Communication Requirements Documents <input type="checkbox"/> | |
| Party Agents | | | |
| 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 checked="" 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 checked="" 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 checked="" 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 checked="" 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 type="checkbox"/> | |
| Certification Agent <input type="checkbox"/> | X <input type="checkbox"/> | Other Documents | |
| MIDP <input type="checkbox"/> | | Transmission Licence <input type="checkbox"/> | |
| Supplier Volume Allocation Agent <input checked="" type="checkbox"/> | | | |
| TFLA <input type="checkbox"/> | | | |
| Other Agents | | | |
| SMRA <input checked="" type="checkbox"/> | | | |
| Data Transmission Provider <input type="checkbox"/> | | | |

| | |
|--|---------------------------|
| Estimated cost for progressing P143 through Modification Procedures | 15 ELEXON man days |
|--|---------------------------|

1 DESCRIPTION OF PROPOSED MODIFICATION

1.1 Modification Proposal

Modification Proposal P143 "Revision of P99 to halt the progression of the PARMS Serials, Standards and Supplier Charge elements" (P143) was submitted by Centrica on 1 September 2003. P143 was raised following an increase in the estimated costs of Approved Modification P99 "Changes to Accreditation and the PARMS Serials and Standards, resulting from the Performance Assurance Framework (PAF) Review (Phase 1)" (P99).

P99 included the requirement to implement changes to: Accreditation; Entry Processes; and Serials and Standards. P143 proposes that work continues on the Accreditation and Entry Process activities to continue delivery in time for an Implementation Date of 1 May 2004 whilst work on the development of IT systems and associated process associated with Serials and Standards elements of P99 is halted. The Proposed Modification suggests that:

- Supplier Charges are excluded from P99;
- Serials are removed from the implementation of P99
- a further review is undertaken relating to the complexity of Serials that are in part responsible for some of the increased costs attributable to P99; and
- the results of this review be included within a "holistic Modification following a review of Supplier Charges".

The issue or defect with the Balancing and Settlement Code ('the Code') that P143 is aimed to address has been cited being the complexity of the Serials that P99 introduced to the Code.

1.2 History of Modification Proposal P99

A review of the Performance Assurance Framework (PAF) within the Trading Arrangements was initiated in September 2001 by the Balancing and Settlement Code Panel ('the Panel') and used the Risk Assessment Group (RAG) to oversee the review. Phase 1 of the PAF Review focussed on the techniques of Accreditation, Audit, Entry Processes and Serials and Standards. Each technique was analysed by an expert group comprised of industry participants representing a range of market roles, and the findings of the analysis were reported to the RAG and then presented to the Panel for approval on 18 April 2002. The Panel agreed with the recommendations of the PAF Review and requested that these findings be issued to industry for formal consultation.

The majority of industry responses to the consultation supported the PAF Review's recommendations. The relevant expert groups discussed the queries and suggestions raised by respondents to the consultation and where appropriate, actions were taken to modify the PAF review recommendations accordingly.

On 2 September 2002, British Gas Trading raised a Modification Proposal, P99, in order to implement the recommendations of the PAF Review. P99 was aimed at delivering the results of Phase 1 of the PAF Review in a single package. The Initial Written Assessment for P99, was presented to the Panel on 12 September 2002 and the Panel agreed to submit Modification Proposal P99 to a two-month Assessment Procedure conducted by the Volume Allocation Standing Modification Group (the Group).

During the Assessment Procedure of P99 the Group met to discuss the responses to the consultation and impact assessment. While the responses were supportive of the Modification Proposal in principle, they highlighted that many respondents required a further level of technical detail before being able to provide a sufficiently detailed impact on their organisation. Consequentially the Group concluded that additional analysis was required and at the Panel meeting on 14 November 2002 requested and was granted, a one-

month extension to the Assessment Procedure in order to allow additional technical details to be specified. As part of the assessment during this additional month, the VASMG also sought to understand the perceived costs and benefits introduced by P99 used this in their assessment of Proposed Modification P99 against the Applicable BSC Objectives. The VASMG set out their estimates of costs to industry to incorporate P99 of between £1m and £3m and that they had estimated the potential benefit to industry of between £2m and £5m per annum. The final Assessment Report was presented to the Panel at its meeting on 12 December 2002 and the Panel endorsed the VASMG's recommendation that Proposed Modification P99 should be made based on the better facilitation of the Applicable BSC Objectives. Following confirmation of the Panel's provisional recommendation during the Report Phase a Modification Report was presented to the Authority on 24 January 2003. On 26 February 2003, the Authority directed that P99 should be made with an Implementation Date of 20 January 2004.

Following the initiation of the P99 development project, BSCCo identified a number of issues associated with the implementation of P99 that required further clarification. BSCCo also requested that the Panel seek an extension to the Implementation Date as the clarification of these issues would require additional time to implement P99. The Authority subsequently granted an extension to 1 May 2004.

1.3 Issues raised by the Modification Proposal

An initial assessment of Modification Proposal P143 has identified the following potential areas of impact and issues which will need to be considered and addressed in progressing the Modification Proposal.

- **Definition of Proposed Modification** – The Proposed Modification states that it seeks to halt the implementation work on P99 however it is not clear what changes to the Code are being proposed to achieve this. There are two possibilities: 1) P143 seeks to introduce an as yet undefined new set of rules relating to Serials and Standards in which case further definition of this would be required; or 2) P143 seeks to reverse the changes to the Code that were introduced under P99 with respect to Serials and revert the legal text to the pre-P99 position.

Subsequent to the raising of P143, BSCCo have contacted the Proposer who has confirmed that P143 was intended to propose option 2 above, i.e. they wish the Code to revert back to the Pre-P99 legal text in relation to Serials.

- **Previous consultation in respect of Serials and Standards** - P99 was raised following Phase 1 of the review of the Performance Assurance Framework (PAF). Following this review, a consultation was undertaken to refine the findings of the PAF and this culminated in the raising of P99. During the progression of P99 through the Modification Procedures, further consultations had been initiated with Parties at both the Assessment Procedure stage and the Report Phase. The majority of the consultation responses indicated support for the findings of the PAF review as embodied within P99.
- **Reversion to Pre-P99 Serials** – P99 proposed to reduce the total number of Serials from 63 to a 34. This involved the removal of 50 Serials and the inclusion of a further 21 new Serials. The 50 removed Serials had been removed on the grounds that they were not used due or were meaningless measurements. P143 would see the re-introduction of these removed Serials.
- **Authority determination on P99** – The Authority, in coming to its decision on P99 carefully considered the issues raised in the P99 Modification Report and acknowledged the concerns of respondents relating to the costs of implementing P99. The Authority however also noted that the identified benefits to the operational efficiency and data quality were significant. The Authority also accepted the Modification Group's opinion that the overall cost of performance assurance would decrease, even if this were not the case of each individual technique. The Authority made its decision having regard to both the Applicable BSC Objectives and its wider statutory obligations. Given the VASMG's recommendation to approve P99, it is not clear what has changed that would affect that view.

- **Parties may have already commenced work to ensure that they are P99 compliant** – It is possible that Parties will have committed the necessary resource to ensure that the reporting requirements for P99 are fully delivered by the Implementation Date for P99. Any Modification Proposal halting the work on this Modification Proposal may render this work nugatory.
- **Requirement to undertake a review of Serials and Standards** – P143 suggests that a further review of the complex levels of Serials is undertaken. Whilst P143 suggests that a further review of the “complex levels of Serials that are contributing to the escalating costs [of P99]”, should be undertaken, the Proposer has confirmed that this Modification Proposal should not wait for this review to conclude before P143 is progressed. The Panel are therefore being requested to initiate a further review of Serials and Standards which would not in any event require a Modification Proposal to initiate. This review would repeat the extensive work carried out by the Serials and Standards expert group within the PAF review.
- **Uncertainty of a future Holistic Modification Proposal** – The Proposal suggests that following a review of Supplier Charges together with the review of Serials suggested above a new Modification Proposal could be raised which encompasses the issues related to both Supplier Charges and the complexity of Serials and Standards. Until such a Modification Proposal is raised, it is not clear that such a Proposal will ever be raised nor is there certainty that such a Modification Proposal will be approved by the Authority.
- **Costs of P99** – The Modification Proposal states that the costs of implementing the Serials elements of P99 have increased from £250,000 up to £2.2m (of which £1.8m are demand led costs). It should be noted that the estimated £1.8m demand led costs also includes the costs attributable to the other parts of P99, i.e. Accreditation and Entry Process. This cost does include an appropriate level of contingency. The detailed costs of implementing P99 are not yet available as the tendering process for the software development is still underway. However based on the above the cost benefit estimates provided by the Group identified, there would still be a net benefit to industry within less than three years³.
- **Interaction with P99 development plans** – In the absence of a decision approving P143, work on the implementation of P99 within BSCCo and its agents will continue according to its current plan. This is likely to include the conclusion of a tendering process and award of contracts for software development for a new Performance Assurance Reporting and Monitoring System (PARMS) which is currently scheduled to occur between the October 2003 and November 2003 Panel meetings. It is also unclear what impact P99 will have on Party and Party Agents own development plans as they may have prepared to amend / decommission their existing reporting systems and committed the resource to create new reporting systems where appropriate.
- **Interaction with P141** – Whilst each Modification should be treated in isolation, it should be noted that there is an interaction with Modification Proposal P141. Existing PARMS is a fragile IT system, which is not capable of being modified. Any changes to the rules associated with Standards and Serials would require a system to be developed to accommodate them. Were P143 to be approved and in the absence of P141 being approved, it is likely that a system would be required to be built to accommodate the Pre-P99 Serials and Standards for the period between 24 June 2003, and the Implementation Date of P143.
- **Effect of P143 and similar Modifications on future negotiations undertaken by BSCCo and third Parties** – The existence of P143 and/or similar Modification Proposals seeking to halt

³ This calculation assumes an implementation cost of P99 to be £1.8m of demand led funds added to the worst case costs to industry of £3m. This gives a total cost of £4.8m. If the worst case benefits were taken to be £2m per annum (the lower end of the £2m-5m range) then P99 would still realise the benefits estimated by the VASMG within less than 3 years. The VASMG's estimate of the benefits included an estimate of the value of avoiding Audit qualification and was based on the assumption that the improvements delivered by P99 prove to be useful for at least 2 years.

work on Approved Modifications may have a detrimental effect on the responses to tenders that BSCCo undertake as it may increase penalty clauses that contractors may wish to include within the contracts.

2 INITIAL ASSESSMENT OF IMPACTS OF MODIFICATION PROPOSAL

2.1 Impact on BSC Systems and processes

An initial assessment has been undertaken in respect of all BSC Systems and processes and the following have been identified as potentially being impacted by the Modification Proposal.

| BSC System / Process | Potential Impact of Proposed Modification |
|----------------------------|--|
| Supplier Volume Allocation | As part of P99, any changes required to support the new Serials developed by the Supplier Volume Allocation Agent would no longer be required. A full description of the impacts as a result of the changes required for P99 is contained within Attachment 1. |

2.2 Impact on other systems and processes used by Parties

It has not been possible during the creation of this initial written assessment to undertake a detailed impact assessment on Party's⁴ and Party Agent's preparation activities to determine the level of resources and impact of commitments already made to ensure their systems are compliant by the P99 Implementation Date.

It should be noted however that P99 was approved on 26 February 2003 with an intended Implementation Date of 20 January 2004, this date was later extended to 1 May 2004. This implies that of the 15 months (12 originally) total available development time available for Parties and Party Agents to undertake changes to their systems seven months have passed.

2.3 Impact on documentation

2.3.1 Impact on Balancing and Settlement Code

An initial assessment has been undertaken in respect of all Sections of the Code and the following Sections have been identified as potentially being impacted by the Modification Proposal.

| Item | Potential Impact of Proposed Modification |
|--|--|
| Section J 'Party Agents' | P99 introduced a new requirement for Supplier Meter Registration Agents (SMRAs) to provide registration data to BSCCo for the purposes of market monitoring – this change would need to be reversed. |
| Annex S-1 Performance Levels and Supplier Charges | Annex S-1 'Performance Levels and Supplier Charges' would be revised to reflect the new standards and Serials, particularly the Supplier Serials. These changes would no longer be required. |

⁴ For the avoidance of doubt this includes the preparation activities being undertaken by Parties will include any work being undertaken by the Supplier Meter Registration Agents in order to support the P99 arrangements.

2.3.2 Impact on Code Subsidiary Documents

An initial assessment has been undertaken in respect of all Code Subsidiary Documents and the following documents have been identified as potentially being impacted by the Modification Proposal.

The following documents all contain references to the set of PARMS Serials and Standards modified by P99 and therefore any changes currently under development would no longer be necessary:

- BSCP536 – Supplier Liquidated Damages
- BSC SVA Data Catalogue (Part 1)
- PSL110 – SVA Meter Operation
- PSL120 – Non Half Hourly Data Collection
- PSL130 – Half Hourly Data Collection
- PSL140 – Non Half Hourly Data Aggregation
- PSL150 – Half Hourly Data Aggregation
- PSL160 – Supplier Meter Registration Service
- PSL170 – Meter Administrator
- PSL180 – CVA Meter Operation
- SSL300 – Supplier Volume Allocation
- SSL310 – Daily Profile Production
- SSL360 – Market Domain Data

In addition to this BSCP533 contains two large appendices: the PARMS File Formats and the Monitoring Implementation Requirements Tables (MIRT). The changes being developed by BSCCO to ensure that the extensive revisions to align them with the P99 Serials will no longer be required. Work is currently underway on these changes.

2.4 Impact on Core Industry Documents

An initial assessment has been undertaken in respect of Core Industry Documents and the following documents have been identified as potentially being impacted by the Modification Proposal.

| Item | Potential Impact of Proposed Modification |
|-------------------------------|---|
| Master Registration Agreement | Under P99 a change was required to the Master Registration Agreement to align with the changes in Section J of the BSC relating to data provision by SMRAs. This change would no longer be necessary. |

2.5 Impact on other configurable items

An initial assessment has been undertaken in respect of other configurable items and the following have been identified as potentially being impacted by the Modification Proposal.

| Item | Potential Impact of Proposed Modification |
|---------------------------|--|
| CDCA Interface Definition | The P99 Assessment Report identified an impact on the CDCA Interface Definition and Design (IDD) and User Requirements Specification (URS) |

| | |
|----------|---|
| Document | <p>which required amendment to reflect the data to be submitted into PARMS for the two CVA Meter Operator Agent (MOA) serials.</p> <p>This change would not longer be required.</p> |
|----------|---|

3 IMPACT ON BSCCO

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

The impacts of P143 on BSCCo will be twofold:

- The P99 development activities associated with Serials and Standards would need to be stopped;
- Procurement of the PARMS developer would need to be halted, or in the case that procurement had completed at the time of the Authority determination, the contract should be terminated; and
- An impact assessment to determine the period during which the existing PARMS could continue to operate without requiring further redevelopment to cater for things such as advances in operating systems and to ensure it is always running on a supported IT platform or changes by way of Modification Proposals. It is also possible that were P143 to be approved and P141 not approved, backdated to 24 June 2003, that a system would be required to be developed that would be capable of calculating the Serials and Supplier Charges from period of 24 June 2003 to the Implementation Date of P143.

4 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

An initial assessment has been undertaken in respect of BSC Agent contractual arrangements and the following have been identified as potentially being impacted by the Modification Proposal.

| BSC Agent Contract | Potential Impact of Proposed Modification |
|---|---|
| Logica (BMRA, CRA, CDCA, SAA, ECVA, TAA(CVA)) | Work underway to implement P99 by the CDCA would need to be halted. |
| Cap Gemini (SVAA) | Work underway to implement P99 by the SVAA would need to be halted. |

5 RATIONALE FOR BSCCO'S RECOMMENDATIONS TO THE PANEL

In reaching its recommendation, BSCCo has identified three documents which have a significant bearing on its recommendation:

- P99 Decision letter from the Authority (26 February 2002);
- P99 Decision letter from Authority approving extension to the Implementation Date of P99 (25 July 2003); and
- P99 Assessment Report version 2.0 (8 December 2002).

P99 Decision Letter

In relation to the Proposed Modification P99, the Authority considered that having regard to the Applicable BSC Objectives and its statutory duties, the Proposed Modification P99 does better facilitate the achievement

of the Applicable BSC Objectives. In particular the PARMS elements (i.e. changes to support Serials and Standards) would result in an increase in efficiency of the balancing and settlement arrangements.

P99 Decision letter from Authority approving extension to the Implementation Date of P99

The Authority stated that:

- "Ofgem agrees that the inability of the current PARMS to support the changes proposed by the P99 implementation plan represents a significant change to the scope of the work and that the exception plan endeavours to take such changes into account";
- "Presumably, Parties will already have committed resource to changing their own systems in order to accommodate the requirements for Approved Modification P99"; and
- "Ofgem considers it important that ELEXON makes its best endeavours to ensure that the revised Implementation Date is met, especially the aspects of the modification that concern the collection and organisation of the PARMS Serials".

P99 Assessment Report

The P99 Assessment Report contained an estimate by the Modification Group of the costs and benefits to industry. The perceived benefits were of the order of £2m - £5m per annum whilst the set-up costs of P99 were perceived to be in the range £1m - £3m. This cost benefit analysis would have informed their decision on whether or not the Applicable BSC Objectives could be better facilitated by the introduction of P99. This analysis is further detailed in section 1.3 of this report.

BSCCo Recommendation

Taking into account the two documents described above, i.e. the fact that P99 remains cost beneficial according to the estimates provided by the VASMG and that in the Authority's opinion P99 does better facilitate the Applicable BSC Objectives, BSCCo is of the belief that the Panel's recommendation on whether or not to remove the effect of P99 should be self evident. BSCCo therefore believes that P143 should be submitted to the Report Phase with a recommendation that a Code Modification should not, be made.

In the event that the Panel agree to submit P143 to the Report Phase and that the Authority subsequently approve P143, BSCCo recommend an Implementation Date of 2 Working Days after an Authority determination. This abbreviated implementation timetable is only possible because the changes to the Code with respect to P99 have not yet been implemented and that any changes to documents to be produced have yet to be published.

6 PROCESS, TIMETABLE AND COST FOR PROGRESSING THE MODIFICATION PROPOSAL

BSCCo recommends that this Modification Proposal proceed directly to Report Phase with the recommendation that the Proposed Modification P143 should not be made. Should the Panel agree with this recommendation, a draft Modification Report will then be issued for consultation with and be presented to the Panel meeting on 9 October 2003.

7 DOCUMENT CONTROL

7.1 Authorities

| Version | Date | Author | Reviewer | Change Reference |
|----------------|------------------|----------------|-----------------|-------------------------|
| 0.1 | 3 September 2003 | Richard Clarke | Change Delivery | Initial Draft |
| | | | | |

7.2 References

| Ref | Document | Owner | Issue date | Version |
|-----|----------|-------|------------|---------|
| | | | | |

ANNEX 1 MODIFICATION PROPOSAL

| | |
|---|--|
| Modification Proposal | MP No: 143 <i>(mandatory by BSCCo)</i> |
| Title of Modification Proposal <i>(mandatory by proposer):</i> | |
| Revision of P99 to halt the progression of the PARMS Serials, Standards and Supplier Charge elements. | |
| Submission Date <i>(mandatory by proposer):</i> 1 st September 2003 | |
| Description of Proposed Modification <i>(mandatory by proposer):</i> | |
| <p>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.</p> <p>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.</p> <p>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.</p> <p>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 <u>must</u> be delivered in a cost efficient manner, i.e. one solution should be delivered to minimise the escalating costs.</p> <p>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.</p> <p>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.</p> | |
| Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> | |
| 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 <i>(optional by proposer):</i> | |

| | |
|--|--|
| Modification Proposal | MP No: 143 <i>(mandatory by BSCCo)</i> |
| Impact on Core Industry Documents <i>(optional by proposer):</i> | |
| Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> | |
| Impact on other Configurable Items <i>(optional by proposer):</i> | |
| Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> This Modification supports the Applicable BSC Objective (d) in promoting efficiency in the implementation and administration of the balancing and settlement arrangements. | |
| Details of Proposer: Name: Claire Walsh Organisation: Centrica Telephone Number: 07979 566600 Email Address: claire.walsh@centrica.co.uk | |
| Details of Proposer's Representative: Name: As above Organisation: Telephone Number: Email Address: | |
| Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address: | |
| Attachments: NO If Yes, Title and No. of Pages of Each Attachment: | |

ATTACHMENT 1

BSC Agent Impact Assessment from P99 Assessment Report. See separate document.