

# INITIAL WRITTEN ASSESSMENT for Modification Proposal P134

## "The Halting of Unnecessary and Inefficient Work and Expenditure Associated with Approved BSC Modification P82"

Prepared by: ELEXON<sup>1</sup> Limited

<b>Date of issue:</b>	02 July 2003	<b>Document reference:</b>	P134IR
<b>Reason for issue:</b>	For Decision	<b>Issue/Version number:</b>	Final/1.0

This document has been distributed in accordance with Section F2.1.10<sup>2</sup> of the Balancing and Settlement Code.

### RECOMMENDATIONS

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

- **DETERMINE** that Modification Proposal P134 should be submitted directly to the Report Phase;
- **AGREE** the Report Phase timetable such that a draft Modification Report should be completed and submitted to the Panel for consideration at its meeting of 14 August 2003;
- **RECOMMEND**, in the circumstances, that Proposed Modification P134 should not be made;
- **In the event that the Authority determines that the Proposed Modification P134 should be made, AGREE** an Implementation Date of two working days after an Authority determination in respect of P134;
- **NOTE** that no Legal Text has been prepared with respect to the Proposed Modification P134; and
- **CONSULT** with the Authority to determine if they would like the draft Modification Report to contain such text.

**Intellectual Property Rights and Copyright** - This document contains materials the copyright and other intellectual property rights in which are vested in ELEXON Limited or which appear with the consent of the copyright owner. These materials are made available for you to review and to copy for the purposes of the establishment, operation or participation in electricity trading arrangements in England and Wales under the BSC. All other commercial use is prohibited. Unless you are a person having an interest in electricity trading in Great Britain under the BSC you are not permitted to view, download, modify, copy, distribute, transmit, store, reproduce or otherwise use, publish, licence, transfer, sell or create derivative works (in whatever format) from this document or any information obtained from this document otherwise than for personal academic or other non-commercial purposes. All copyright and other proprietary notices contained in the original material must be retained on any copy that you make. All other rights of the copyright owner not expressly dealt with above are reserved.

**Disclaimer** - No representation, warranty or guarantee is made that the information provided is accurate, current or complete. Whilst care is taken in the collection and provision of this information, ELEXON Limited will not be liable for any errors, omissions, misstatements or mistakes in any information or damages resulting from the use of this information or any decision made or action taken in reliance on this information.

<sup>1</sup> 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.

<sup>2</sup> The current version of the Balancing and Settlement Code can be found at [www.elexon.co.uk/ta/bscrel\\_docs/bsc\\_code.html](http://www.elexon.co.uk/ta/bscrel_docs/bsc_code.html)

## CONTENTS TABLE

<b>Summary of impacted parties and documents.....</b>	<b>3</b>
<b>1 Description of Proposed Modification .....</b>	<b>4</b>
1.1 Modification Proposal .....	4
1.2 Issues raised by the Modification Proposal .....	5
<b>2 Initial assessment of impacts of Modification Proposal.....</b>	<b>6</b>
2.1 Impact on BSC Systems and processes.....	6
2.2 Impact on other systems and processes used by Parties.....	6
2.3 Impact on documentation.....	7
2.3.1 Impact on Balancing and Settlement Code.....	7
2.3.2 Impact on Code Subsidiary Documents .....	7
2.4 Impact on Core Industry Documents .....	8
2.5 Impact on other configurable items .....	8
<b>3 Impact on BSCCo .....</b>	<b>8</b>
<b>4 Impact on BSC Agent contractual arrangements .....</b>	<b>9</b>
<b>5 Rationale for BSCCo's recommendations to the Panel.....</b>	<b>9</b>
<b>6 Process, timetable and cost for progressing the Modification Proposal .....</b>	<b>10</b>
<b>7 Document control.....</b>	<b>10</b>
7.1 Authorities .....	10
7.2 References .....	10
<b>Annex 1 Modification Proposal .....</b>	<b>11</b>

## 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 P134.

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

Estimated cost for  
progressing P134 through  
Modification Procedures

15 ELEXON  
man days

# 1 DESCRIPTION OF PROPOSED MODIFICATION

## 1.1 Modification Proposal

Modification Proposal **P134** ‘**The Halting of Unnecessary and** Inefficient Work and Expenditure Associated with Approved BSC Modification P82’ (**P134**) was raised on 30 June 2003 by British Energy Power and Trading Limited.

**P134** was raised following the statement by the Trade and Industry Secretary indicating that the government is not minded to introduce non-zero Transmission Loss Factors across Great Britain following the introduction of the British Electricity Trading and Transmission Arrangements (BETTA)<sup>3</sup>. It is understood from the formal public statements made by the Authority that BETTA is expected to be implemented by April 2005. The Implementation Date for P82 is 1 April 2004.

**P134**, therefore seeks to modify the Balancing and Settlement Code (‘the Code’) to remove the changes that Approved Modification P82 (‘Introduction of Zonal Transmission Losses on an Average Basis’) introduced. P134 also seeks to ensure that BSCCo immediately discontinues work on the implementation of P82 which is scheduled for implementation on 1 April 2004.

The Code does recognise that transmission losses could be allocated on a locational basis, the parameters to support this, the Transmission Loss Factors (TLFs), have been set to zero since Go-Live. P82 introduces the application of zonal differentiation of transmission losses on an average, as opposed to marginal, basis to generation and demand. Currently, and until the Implementation Date of P82, allocation is based on a fixed and uniform basis with a defined split between production and consumption.

Under P82, a new BSC Agent (‘the Transmission Loss Factor Agent (TLFA)’) is required to be appointed to calculate annual TLFs, on an ex-ante basis, using a methodology to be specified in the Code. In addition, TLFs would be ‘scaled’ by a factor of 0.5 such that only variable losses (i.e. those caused by heating) would be allocated on a zonal basis. In proposing P82, the P82 Proposer believed that the introduction of such zonal differentiation of transmission losses would introduce long-term signals for the siting of generation and demand by allocating losses in such a manner that does not unduly penalise individual BM Units. In addition, losses would be allocated only according to the degree to which individual BM Units give rise to losses.

The **P134** Proposer argues that the operation of P82 for a finite period of time, anticipated by them to be 12 months, will introduce costs which far outweigh any benefit of such limited operation and its removal through P134 would better facilitate the achievement of the Applicable BSC Objectives.

### Validity of the Modification Proposal

P134 is a valid Modification Proposal and was accepted as such by the Modification Secretary.

P134 satisfies the threshold tests of validity set out in F2.1.1 and F2.1.2 of the Code primarily because it identifies an issue in relation to the current legal version of the Code. The current version of the Code at any point in time is the Code as it is then published, plus all Approved Modifications.

### Urgent Modification Request

In submitting **P134**, the Proposer also requested that in order to avoid any unnecessary expenditure, P134 be treated as an Urgent Modification Proposal pursuant to Section F2.9 of the Code. BSCCo took into consideration the range of factors that had previously been used when evaluating whether a Modification Proposal should be recommended to have urgent status and agreed to recommend the urgent treatment of **P134** to the Panel.

The procedures outlined within Section F2.9 of the Code have been followed and the Panel Chairman sought views on the urgent treatment of P134 from Panel members during a telephone conference on 30 June 2003. Of the Panel Members present during the telephone conference, all were supportive of the urgent treatment of this Modification Proposal. The Distribution System Operators’ representative was also present and supportive of such treatment.

<sup>3</sup> BETTA is scheduled for implementation on 1 April 2005

The urgent treatment of **P134** was justified by the Panel on the basis that costs associated with the implementation of P82 are being incurred both centrally and by participants on an on-going basis. The Panel's view was that such expense may be unnecessary were **P134** to be approved by the Authority and also recognised that BSCCo is in the process of finalising the terms of the TLFA contract, the signing of which will triggered release of funds to the TLFA.

### **Authority Decision on Urgent Modification Status**

On 01 July 2003, the Authority issued its decision letter, which stated that P134 should be subject to the normal Modification Procedures and should not be treated as urgent.

In making its decision, the Authority described some of the characteristics that it currently consider Modification Proposals should exhibit prior to being granted urgent status. These characteristics are:

- there is a very real likelihood of significant commercial impact upon NGC, industry parties, or customers if a Proposed Modification is not urgent;
- safety and security of the network is likely to be impacted if a Proposed Modification is not urgent; and
- the Proposal is linked to an imminent date related event.

Furthermore the decision letter stated that in addition - *"the Authority is of the opinion that the issuing of a 'minded to' statement by the Secretary of State regarding potential future GB wide trading arrangements should not affect its decisions regarding the processes concerning the modification of the England and Wales code. You will be aware that on the 17 January 2003 the Authority wrote to the Chairmen of all the code Panels and explained that until such time as the E (TT) Bill attained a significant step on the road to legal certainty, modification s to the England and Wales Codes would continue to be processed and assessed on their appropriateness to England and Wales .... Until that time the prospective BETTA legislation should not influence the Authorities good regulatory practise which must be based on the current legislative and regulatory framework of the industry'.*

## **1.2 Issues raised by the Modification Proposal**

An initial assessment of Modification Proposal P134 has identified the following potential areas of impact and issues which will need to be considered and addressed in processing the Modification Proposal.

- **The Authority has determined that P82 better facilitates the Applicable BSC Objectives.** P134 has been raised to remove the effect of an Approved Modification, in this case P82. In making its determination with respect to P82, the Authority agreed that the achievement of the Applicable BSC Objectives would be better facilitated by P82's introduction. Additionally, in making its determination with respect to the urgency of P134, the Authority stated that prospective BETTA legislation should not influence the Authority's good regulatory practice which must be based upon current legislative and regulatory framework of the industry.

It is noted in this regard that the DTI's view has only the status of a "minded to" decision and therefore has an inherent degree of uncertainty. It is clear that the BETTA proposed legalisation has government support, as is expressly stated by the Authority in its letter rejecting the application to treat P134 as an urgent modification. However, the proposed legislation has not yet reached a significant step along the way to legal certainty, and therefore must also be regarded as having an inherent degree of uncertainty. Added to this, the suggested BETTA implementation date of April 2005 in itself must also be regard as, notwithstanding government support and firm intention, having an inherent degree of uncertainty.

Consideration of the above matters and of the Authority's letter to the Panel Chairman dated 17 January 2003 referred to above and the letter to the Panel Chairman rejecting the application to

treat P134 as urgent supports the view that insufficient evidence exists to support a recommendation in favour of P134.

- **Interaction with Approval Modification P82 Development Plans.** It should be noted that during the progression of P134, the work necessary to implement Approved Modification P82 will continue in order to meet its Implementation Date. This development work will include the signing of contracts with the new BSC Agent together with the contract for the modelling reviewer. A detailed assessment of the impacts of removing P82 is included within the attached document.
- **Interaction with Modification Proposal P125.** It should be noted that should **P134** be approved, Modification Proposal P125 *'Apportionment of the Scottish Interconnector flows to the Northern and North Western GSP Groups for the purposes of calculating losses'* (P125) would not be necessary.

## 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
Registration	Changes to the Central Registration Agent have been commenced in order to implement P82. This work will need to be stopped. It should be noted however that the changes required for P82 have been developed in a modular manner and therefore can be removed from the relevant software release without the need for additional retesting.
Collection and Aggregation of Metered Data	The Central Data Collection Agent is developing some bespoke software in order to provide an extract of Metered Volumes for the sample Settlement Periods required by the TLFA.

### 2.2 Impact on other systems and processes used by Parties

During the progression of P82 Detailed Level Impact Assessments were requested to understand which Party systems would be impacted by the introduction of P82. It is logical to assume that systems impacted by the introduction of P82 may also be impacted by the approval of P134.

The following Party systems were identified as being potentially impacted by the introduction of P82 and hence could be impacted by the introduction of P134:

- Demand forecasting;
- Billing;
- Settlement;
- Risk Management;
- Power Pricing; and

- Trading

At the time of the P82 impact assessment, respondents indicated that a lead-time of between 3 and 12 months would be required to implement the necessary changes and two respondents cited costs for the additional developments required, one quoted a cost of £250,000 to £500,000 and the other a cost of £500,000 to £1,500,000.

## 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 E	The definition of the TLFA would need to be removed from the Code.
Section H	Reference to the Load Flow Model specification would need to be removed.
Section T	Additional annexes inserted during P82 that provided a high level description of the Transmission Factor Methodology and the Load Flow Model used to generate zonal TLFs would need to be removed.
Section V	The reporting requirements of the TLFA
Annex X1 and X2	The additional definitions added to Annex X1 and Annex X2 would need to be removed.

### 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.

It should be noted that Code Subsidiary Documentation changes developed as part of the implementation of P82, have been developed in a standalone manner. The main impact will therefore be to ensure that any changes to Code Subsidiary Documents introduced as part of P82 are not incorporated into the final versions of any documents release as part of the Central Volume Allocation release programme.

Item	Potential Impact of Proposed Modification
BSCP01	BSCP01 – ‘Overview of Trading Arrangement – Remove changes introduced by P82
BSCP15	BSCP15 - ‘BM Unit Registration’ - update required to remove obligation on the CRA to notify TLFA of registration of new BM Units and de-registration of existing BM Units – Remove changes introduced by P82
BSCP20	BSCP20 – Registration, Commissioning and Proving of Metering Systems for CVA – Remove changes introduced by P82
BSCP38	BSCP38 – Authorisations - – Remove changes introduced by P82
BSCP41	BSCP41 – Report Requests and Authorisation - – Remove changes introduced by P82.
BSCP42	BSCP42 ‘Business Community’ - update to section 1.6 to list remove from

	the correct category – Remove changes introduced by P82
TLFA Service Description	Work has completed on the TLFA Service Description which is due for approval at the Panel meeting on 10 July 2003 will need to be deleted.
CRA Service Description	Remove changes introduced by P82
CDCA Service Description	Remove changes introduced by P82
SAA Service Description	Remove changes introduced by P82
NETA Data File Catalogue	Remove changes introduced by P82
Reporting Catalogue	Remove changes introduced by P82
Communications Requirements Document	Remove changes introduced by P82

## 2.4 Impact on Core Industry Documents

An initial assessment has been undertaken in respect of Core Industry Documents and no documents have been identified as potentially being impacted by the Modification Proposal.

## 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 User Requirements Specification	Remove changes introduced by P82
CRA User Requirements Specification	Remove changes introduced by P82
TLFA Documentation	Remove changes introduced by P82

## 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.

Area of Business	Potential Impact of Proposed Modification
BSCCo Systems	Business Process Model <sup>4</sup> , BSC Website developed and the ELEXON NGC file converter would need to be amended to remove any

<sup>4</sup> Work on the Business Process Model and the BSC Website has not yet commenced.



	changes introduced by P82.
BSCCo Contracts (Excluding BSC Agent Contracts)	The contract with the TLFA Modelling Reviewer will need to be terminated.
Other (e.g. costs, staffing, etc.)	Consideration will need to be given to the costs and staffing levels already committed to the P82 development work.

#### 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
PwC (BSC Auditor, Certification Agent)	Potential change to the BSC Audit requirements.
Transmission Loss Factor Agent	The TLFA Contract would need to be terminated.

#### 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:

- P82 Decision letter from the Authority;
- P134 Decision letter from the Authority in relation to whether P134 should be treated as an urgent Modification Proposal in accordance with Section F2.9 of the Code; and
- Letter from the Authority to all code Panel Chairmen dated 17 January 2003.

##### P82 Decision Letter

In relation to the Proposed Modification P82, Ofgem considered that having regard to the Applicable BSC Objectives and its statutory duties, the Proposed Modification P82 does better facilitate the Applicable BSC Objectives.

##### P134 Urgency Decision Letter

In its decision letter on whether to grant P82 urgent status, the Authority set out the characteristics that it currently believes Modification Proposals that are to be treated as urgent, should exhibit. In addition to this, the Authority stated that it is of the opinion that 'a "minded to" statement by the Secretary of State regarding potential future GB wide trading arrangements should not affect its decision with regard to the processes concerning the modification of the England and Wales code.' The Authority also drew attention to the fact that until such time as the E(TT) Bill had gained a significant level of legal certainty<sup>5</sup>, the prospective BETTA legislation should not influence the Authority's good regulatory practise "which must be based upon the current legislative and regulatory framework".

##### BSCCo Recommendation

Taking into account the three letters described above and the matters set out in bullet point 1 of Item 1.2, i.e. the fact that P82 does, in Ofgem's opinion, better facilitate the Applicable BSC Objectives, together with the position concerning the prospective legislation and the prospective implementation date of the prospective legislation BETTA, BSCCo is of the belief that the Panel's recommendation on whether or not to remove the effect of P82 should be self evident. BSCCo therefore believes that P134 should be submitted to

<sup>5</sup> Achieved at the second reading of the Bill when it could be said that Parliament had signalled its support (in principle) for the Bill.

the Report Phase with a recommendation that a Code Modification should not, in the circumstances, be made.

It should also be noted that any consideration by the Modification Group during the Assessment Procedure and consultation could only be on the issue of the likelihood of (1) whether or not P82 would be included in any GB modification to the Code relating to BETTA, (2) whether or not the BETTA legislation could be passed and (3) whether or not the implementation date of the perspective BETTA was indeed April 2005, or might be later. It would not be appropriate for the Modification Group or a consultation to reopen the issue of whether or not P82 itself should or should not have been made or approved.

BSCCo recommend an Implementation Date of 2 Working Days after an Authority determination in respect of P134. This abbreviated implementation timetable is only possible because the changes to the Code with respect to P82 have not yet been implemented.

## 6 PROCESS, TIMETABLE AND COST FOR PROGRESSING THE MODIFICATION PROPOSAL

It is proposed that, if the Panel agrees with the BSCCo recommendation, a draft Modification Report will be prepared and issued for consultation by 21 July allowing at least 5 Working Days for any consultation. The draft Modification Report, including all consultation responses will be presented to the Panel at its meeting on 14 August 2003.

It should be noted that if the Panel does not agree that its recommendation is self evident then P134 should be submitted to the Assessment Procedure of no less a duration than one month.

## 7 DOCUMENT CONTROL

### 7.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	02/07/03	R. Clarke	Modification Secretary	Initial Draft
0.2	02/07/03	R. Clarke	ELEXON Change Delivery, ELEXON Legal,	Incorporating initial review comments – requesting formal review
1.0	04/07/03	R. Clarke	Panel	For Decision

### 7.2 References

Ref	Document	Owner	Issue date	Version

**ANNEX 1 MODIFICATION PROPOSAL**

<b>Modification Proposal</b>	<b>MP No: P134</b> (mandatory by BSCCo)
<b>Title of Modification Proposal</b> (mandatory by proposer): The Halting Of Unnecessary And Inefficient Work And Expenditure Associated With Approved Bsc Modification P82.	
<b>Submission Date</b> (mandatory by proposer): 30 June 2003	
<b>Description of Proposed Modification</b> (mandatory by proposer): Halt all work and expenditure to implement approved BSC Modification P82 with immediate effect. Undo all intended BSC documentation, system and process changes associated with Modification P82, such that no changes are intended to be made in connection with P82.	
<b>Description of Issue or Defect that Modification Proposal Seeks to Address</b> (mandatory by proposer): The conclusion of the Dti January 2003 Consultation "Transmission losses in a GB electricity market" published on 27th June 2003 is that "the Secretary of State and the Minister for Energy, E-Commerce and Postal Services, Stephen Timms are not minded to designate Average Zonal Transmission Losses as part of the GB BSC". If Modification P82 is implemented on 1 April 2004 and operates only for 12 months until BETTA is introduced, from which point locational Transmission Loss charging is removed, the balance of cost and claimed benefit of approved Modification P82 are significantly changed, and the basis of the original Authority direction is significantly changed. On the basis that the claimed net benefits of implementation of P82 as an enduring change were not clearly demonstrated, it is extremely unlikely that net benefit will be achieved by implementing P82 for a few months until BETTA is introduced.  Provided work and expenditure is halted quickly, and thereby industry costs may be saved, then reversion of the BSC to its state without implementation of P82 will better meet BSC Objectives (b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System; and (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.	
<b>Impact on Code</b> (optional by proposer): See P82 implementation.	
<b>Impact on Core Industry Documents</b> (optional by proposer): See P82 implementation.	
<b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b> (optional by proposer): See P82 implementation.	
<b>Impact on other Configurable Items</b> (optional by proposer):	

Modification Proposal	MP No: P134 (mandatory by BSCCo)
<p><b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b> (mandatory by proposer):</p> <p>Ofgem approved BSC Modification Proposal P82 on 17 January 2003, with an intended implementation date of 1 April 2004. The BSC Panel had recommended that the modification should not be made. This was also the view of a majority of consultation respondents. A major concern of the modification group, the Panel and respondents was that the claimed benefits of the proposal had not been demonstrated to exceed the total implementation and operating costs.</p> <p>The conclusion of the Dti January 2003 Consultation "Transmission losses in a GB electricity market" published on 27th June 2003 is that "the Secretary of State and the Minister for Energy, E-Commerce and Postal Services, Stephen Timms, are not minded to designate Average Zonal Transmission Losses as part of the GB BSC". If Modification P82 is implemented on 1 April 2004 and operates only 12 months until BETTA is introduced when locational Transmission Loss charging is removed, the balance of cost and claimed benefit of approved Modification P82 are significantly changed, and the basis of the original Authority direction is significantly changed. On the basis that the claimed net benefits of implementation of P82 as an enduring change were not clearly demonstrated, it is extremely unlikely that net benefit will be achieved by implementing P82 for a few months until BETTA is introduced when locational transmission loss charging will be removed in accordance with Dti consultation conclusions.</p> <p>Provided work and expenditure is halted quickly, and thereby industry costs may be saved, then reversion of the BSC to its state without implementation of P82 will better meet the BSC Objectives (b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System; and (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.</p> <p>The following are extracted from the Authority decision letter approving Modification P82:</p> <p>Respondent views: "Most of the respondents opposed to both the original Modification Proposal and the Alternative Modification Proposal considered that the costs of its implementation could outweigh any benefits that might be delivered, since any perceived net benefit had not been proven. Respondents were also concerned that no significant cost benefit analysis had been carried out.</p> <p>Panel views: "The Panel was of the opinion that it had not been proven that zonal differentiation would result in a more accurate allocation of the cost of losses. In addition, the Panel considered that, on balance, the effect of any gains in the accuracy of cost allocation would be outweighed by the industry-wide costs associated with implementation of the original Modification Proposal."</p> <p>"The Panel recommended that the Authority should reject both the original Modification Proposal and the Alternative Modification Proposal."</p> <p>Authority view: "Ofgem considers, on balance and without limitation, that the most significant benefit arises in relation to Applicable BSC Objective (b)."</p> <p>"The introduction of zonal transmission losses will therefore enhance efficiency through more cost reflective charging which could be expected to influence both short and long term business decisions. This enhanced efficiency is of particular importance over the next 20 years given the potential major changes in the type and distribution of plant, especially as a result of the government's climate change commitments. The implementation of this Modification Proposal will therefore better facilitate the achievement of the Applicable BSC Objective (b)."</p> <p>"The benefits of removing market distortions, such as uniform losses, are generally difficult to quantify, since they depend upon the uncertain and unknowable evolution of the relevant market, including in this case transmission system conditions. As the Panel noted, any calculation is highly dependent on the assumptions made. A variety of commentators have looked at quantifying the benefits of more locational charging for transmission losses. For a scheme of this nature commentators estimated short run benefits in the range of £0.2m p/a to more than £1.5m p/a."</p>	

<b>Modification Proposal</b>	<b>MP No: P134</b> <i>(mandatory by BSCCo)</i>
<b>Details of Proposer:</b> <b>Name:</b> John Capener <b>Organisation:</b> British Energy Power & Energy Trading Ltd <b>Telephone Number:</b> 01452 654182 <b>Email Address:</b> john.capener@british-energy.com	
<b>Details of Proposer's Representative:</b> <b>Name:</b> Martin Mate <b>Organisation:</b> British Energy Power & Energy Trading Ltd <b>Telephone Number:</b> 01452 654366 <b>Email Address:</b> martin.mate@british-energy.com	
<b>Details of Representative's Alternate:</b> <b>Name:</b> Rachel Lockley <b>Organisation:</b> British Energy Power & Energy Trading Ltd <b>Telephone Number:</b> 01452 652972 <b>Email Address:</b> rachel.lockley@british-energy.com	
<b>Attachments: NO</b> <b>If Yes, Title and No. of Pages of Each Attachment:</b>	