



February 2003

ASSESSMENT REPORT

MODIFICATION PROPOSAL P114 – Entitlement of Licence Exemptable Generators (“LEGs”) and other Non-trading Parties to BSC Membership without Evidence of Trading

Prepared by the Settlement Standing
Modification Group on behalf of the Balancing
and Settlement Code Panel

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I DOCUMENT CONTROL

a Authorities

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b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
Energywatch	Energywatch
Core Industry Document Owners	Various

c Related Documents

Reference	Document
Reference 1	INITIAL ASSESSMENT OF MODIFICATION PROPOSAL P114- 'Entitlement of Licence Exemptable Generators ("LEGS") and other Non-trading Parties to BSC Membership Without Evidence of Trading', (P114IR)
Reference 2	Terms of Reference for Modification Proposal P114
Reference 3	P114 Modification Proposal (02 December 2002)
Reference 4	High Level Requirements Specification to Support Modification Proposal P114: Entitlement of Licence Exemptable Generators ("LEGS") and other Non-trading Parties to BSC Membership without Evidence of Trading', (P114RS)
Reference 5	ASSESSMENT REPORT MODIFICATION PROPOSAL P102 – Entitlement of Licence Exemptable Generators ("LEGS") to BSC Membership without Evidence of Trading (P102AR)

Reference 6	High Level Requirements Specification to Support Modification Proposal P102: Entitlement of Licence Exemptable Generators ("LEGs") to BSC Membership without Evidence of Trading', (P102RS)
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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendations

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal P114 during the Assessment Procedure, the P114 Settlement Standing Modification Group (SSMG) recommends that the BSC Panel should:

- **AGREE that the Proposed Modification P114 should be made;**
- **AGREE a provisional Implementation Date for the Proposed Modification P114 of 4 November 2003, should the Authority determination be received before 2 May 2003. Should an Authority determination be received after this date, but prior to 22 August 2003 then the Implementation Date should be 24 February 2004;**
- **NOTE the interaction with P102, "Entitlement of Licence Exemptable Generators ("LEGs") to BSC Membership without Evidence of Trading";**
- **AGREE that, if approved, P114 should be implemented on a Settlement Day basis; and**
- **AGREE that the draft Modification Report be issued for consultation and submitted to the Panel Meeting on 13 March 2003.**

1.2 Rationale for Recommendations

The SSMG assessed P114 against the Applicable BSC Objectives and considered responses from industry consultation and impact assessment.

The SSMG agreed that Proposed Modification P114 would provide access to market information, which in turn promotes competition, thereby better facilitating Applicable BSC Objective (c)-

'Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity'.

It was the unanimous view of the SSMG that Proposed Modification P114 would better facilitate the Applicable BSC Objectives and should be made.

No Alternative Modification was developed by the SSMG. However one member of the SSMG believed that a solution involving publication of data on the BMRS, would better facilitate the Applicable BSC Objectives, as compared to the Proposed Modification, and should form Alternative Modification P114.

The SSMG noted Modification P102, which addressed the issue of access to data for LEGs only. Furthermore the SSMG considered that, if P114 were to be approved by the Authority, Alternative Modification P102 would no longer be required.

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

An electronic copy of this document can be found on the BSC Website at www.elexon.co.uk

3 MODIFICATION GROUP DETAILS

The P114 Assessment Report has been prepared by the Settlement Standing Modification Group, and the membership is detailed in the table below.

Member	Organisation	Role
Justin Andrews	ELEXON	Chairman
Thomas Bowcutt	ELEXON	Lead Analyst
Steve Garrett	Slough	Proposer
Ben Willis	Npower	Member
Marie Branch	International Power	Member
Paul Jones	Powergen	Member
Robert Barnett	Campbell Carr	Member
Robert Owens	Marubeni	Member
Sanjukta Round	Cornwall Consulting	Member
Richard Lavender	National Grid	Member
Ian Calvert	British Sugar	Member
Mark Manley	Centrica	Member

In addition the following attendees have been present at one or more meetings during the Assessment Procedure:

Member	Organisation	Role
David Lyon	Nabarro Nathanson	Attendee
Mark Thomas	Innogy	Attendee
Melanie Henry	ELEXON	Attendee
Richard Clarke	ELEXON	Attendee
Melissa Boag	ELEXON	Attendee

The Group met 2 times during the two-month Assessment Procedure for P114.

4 BACKGROUND

The issue raised by P114 is similar to that addressed by Modification Proposal P102 'Entitlement of Licence Exemptable Generators ("LEGs") to BSC Membership Without Evidence of Trading' (P102). During Assessment of P102 the SSMG agreed that the scope of P102 should be extended to include any interested person. However legal advice stated that, the defect described in P102 was specific to LEGs, therefore any extension to include other interested persons could not be covered by an Alternative.

Modification Proposal P114 'Entitlement of Licence Exemptable Generators ("LEGs") and other non-trading BSC Parties to BSC Membership Without Evidence of Trading' (P114) was

submitted 02 December 2002 by Slough Energy Supplies Ltd. P114 aimed to allow any interested person to access information that is available to all BSC Parties.

The Initial Written Assessment for P114 (Reference 1) was presented to the Panel on 12 December 2002, where it was agreed that P114 be submitted to a 2-month Assessment Procedure. Due to the similar issues addressed the Panel agreed that P102 and P114 should be assessed by the SSMG in parallel. Therefore the Assessment timetable for P102 was extended by 1 month, such that the Assessment Reports for P102 and P114 be presented to the Panel at its meeting 13 February 2003.

At the first meeting of the SSMG, 07 January 03, it was agreed that the licensing solution, which forms the Alternative Modification P102, should be expanded beyond LEGs to form the Proposed Modification P114. At this meeting a potential alternative solution, involving publication of data on the BMRS, was developed. It was agreed that both solutions should be developed further, such that consultation and impact assessment could be completed.

At the final meeting of the SSMG, 29 January 2003, consultation and impact assessment responses were considered and the SSMG recommendations on P114 were finalised.

5 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

5.1 Proposed Modification

P114 aimed to allow any interested person to access information that is available to all BSC Parties. P114 proposed three potential methods of providing access to this information that had been considered during assessment of P102.

- by removing paragraph 2.6 of Section A of the BSC "Withdrawal of a Party which does not commence trading" such that Non-Trading BSC Parties would be entitled to remain BSC Parties, notwithstanding that none of the steps specified in paragraph 2.6.3 of Section A has been taken;
- by creating a new category of BSC Party, registered with a "Non-Trading" status and thereby excused the necessity to commence trading; or
- some form of licence whereby Non-Trading Parties could sign up to receive market data currently restricted to BSC Parties.

The SSMG felt that, in general, the provision of information to any interested person would better facilitate BSC Objective (c).

'Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity'.

However it was felt that there were several issues surrounding the use of BSC Party status as a means of accessing information. Particular points considered include:

- The fact that the Code was drafted for Trading Parties;
- control of the data to be made available;
- creation of a subset of the Code;

- impact on BSC Agent contracts;
- submission of Modification Proposals.

On consideration of the issues outlined within this document the SSMG agreed that a licensing approach should form the Proposed Modification P114. It was the view of the SSMG that a licensing approach could address several of the issues surrounding the use of BSC Party status as a method of providing access to information. Therefore it was the unanimous view of the SSMG that Proposed Modification P114 would better facilitate BSC Objective (c).

'Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity'.

It was recognised that there are increased implementation costs associated with the licensing approach in comparison to other solutions considered (Appendix 2). However the SSMG believed that these costs were justified to avoid issues surrounding the use of BSC Party status to provide access to information (Section 5.1) and also to protect the interest of BSC Parties.

One member of the SSMG believed that publication of data via the BMRS would better facilitate the Applicable BSC Objectives, as compared to the Proposed Modification and that this approach should form Alternative Modification P114. However the majority view of the SSMG was that this approach failed to address cost recovery issues and would provide insufficient control over access to data. Therefore it was the majority view of the SSMG that publication of data via the BMRS would not better facilitate the Applicable BSC Objectives, as compared to Proposed Modification P114.

In conclusion the SSMG agreed that Proposed Modification P114 would better facilitate the Applicable BSC Objectives and should be made.

6 MODIFICATION GROUP DISCUSSIONS

6.1 Overview of Discussions

The Group's terms of Reference (Reference 2) include a list of criteria that the SSMG have assessed P114 against. An overview of the discussion is detailed in this section.

6.1.1 Obligations and rights of a non-trading BSC Party

On consideration of the proposed solutions to P114 involving use of BSC Party status to access BSC information the SSMG discussed the obligations and rights of such a non-trading BSC Party. It was the initial opinion of the SSMG that these obligations may act as a barrier to some of the individuals that P114 aims to benefit. For example non-Trading BSC Parties, who could benefit from access to BSC Party information, may be unwilling to sign up to the Code if it involves taking on liability for the actions of Trading BSC Parties.

Further analysis of these obligations was completed and the areas considered are highlighted below;

- **Claims against BSCCo**

If any BSC Party or Parties were to make a claim against BSCCo the financial consequences of the claim would be borne by all BSC Parties. However costs would be recovered from BSC Parties through charges associated with trading activity. Therefore non-trading BSC Parties would not suffer exposure to any claims made against BSCCo.

- **Liability between BSC Parties**

Each BSC Party indemnifies each other BSC Party against being held liable due to any performance or non-performance of all or any Code obligation of that BSC Party. Again costs are only targeted at BSC Parties through charges associated with trading activity.

Therefore no obligations acting as a barrier to entry for non-Trading BSC Parties were identified during the Assessment Procedure. However it was noted that one consultation response, from a non-BSC Party, had indicated that taking on BSC Party status in order to obtain access to information would prove too onerous.

Members of the SSMG expressed concern at the ability of non-trading BSC Parties to submit Modification Proposals. Opinion within the group was split on whether it would be desirable to allow non-Trading BSC Parties to submit Modification Proposals. The following views were presented;

- Currently any person can sign up to the Code for six months and submit Modification Proposals during this time. There is no reason, therefore, why a non-Trading BSC Party should not be allowed to do this whilst remaining a Code signatory beyond the six month discontinuation point.
- There are existing methods whereby non-BSC Parties can submit Modification Proposals, for example through a written request from a representative body. However it was noted that there is a certain element of control over these processes that would not be present for non-trading BSC Parties.
- Concern was expressed that non-Trading BSC Parties would be able to submit Modification Proposals that affect a market in which they are not directly involved.
- The view was presented that the costs of the Modification process are mainly recovered from trading BSC Parties. Therefore allowing non-trading BSC Parties to remain signatories to the Code and submit limitless Modification Proposals would present a cost to Trading BSC Parties.

In conclusion the SSMG agreed that, although it may be preferable to avoid allowing non-Trading BSC Parties to submit Modification Proposals, there are sufficient routes available to any person attempting to submit Proposals that this was not a significant issue. However, it was noted that providing information through a licence or on the BMRS would address this issue.

6.1.2 Charging mechanism

On consideration of the proposed solutions to P114 involving use of BSC Party status to access information the SMSG considered the charging mechanism for non-Trading BSC Parties.

The view was presented that that allowing non-Trading BSC Parties to remain members of the BSC, whilst only paying the basic monthly rate, effectively results in Trading BSC Parties subsidising non-Trading BSC Parties. It was the opinion of some SSMG members that the

current mechanism charges new BSC Parties at a reduced rate whilst they establish themselves within the BSC. When the new BSC Party is fully set-up and begins Trading the costs of this set-up period will be recovered through increased charges associated with Trading. It was proposed that there is an assumption within the current charging mechanisms that all BSC Parties will eventually commence Trading. Therefore some members of the SSMG expressed concern that £250 would not be an appropriate charging level for non-Trading BSC Parties.

Further analysis identified several established BSC Parties, for example non-physical Trading BSC Parties, currently paying the basic monthly rate. As these BSC Parties are entitled to receive the same reports that would be available to non-Trading BSC Parties under P114, the view was presented that it would be discriminatory for non-Trading BSC Parties to pay a higher rate.

In conclusion some members of the SSMG believed that the basic rate of £250 per month does not represent the true cost of Code membership and should be changed for existing BSC Parties. However the SSMG agreed that this issue was outside the scope of P114. Therefore the SSMG agreed that any charging mechanism implemented under P114 should be comparable to the £250 basic monthly rate for BSC Parties.

Under the a data licensing approach the following factors were considered when specifying a charging mechanism.

- Charging level should be of the same order as the minimum for BSC Parties.
- An indicated annual operational charge of £5000 to support up to 20 licensees in Central Systems.
- Estimated uptake of the order of 10 licensees.
- Ongoing maintenance of Central Systems (Charged at 14% of the implementation cost).
- Initial implementation costs.
- BSCCo costs for managing Licensees, including:

Initial registration of licensees in Central Systems

Ongoing administration of licensees, including manual provision of historic data.

Invoicing of licensees.

It was estimated that these costs would be of the order of the annual operational charge of the BSC Agent.

- Reduction of administrative work required for an annual rather than monthly fee.

On consideration by the SSMG of the points above it was agreed that the licence should initially include an annual £3000 fee, payable in advance. This charge would cover the operational costs of an individual LEG to both the BSC Agent and BSCCo with any excess contributing to the maintenance and initial implementation costs arising from changes required to Central Systems in support of the Alternative Modification. This charge would be finalised and included in the licence, to be approved by the Panel, prior to implementation.

6.1.3 Subset of trading arrangements

One potential solution, considered by the SSMG, was the creation of a 'Non-Trading' BSC Party status (see Annex 2). Specific sections of the Code would then be targeted at these 'Non-Trading' BSC Parties. However concern was expressed that should 'Non-trading' BSC Parties be identified within the Code, and certain obligations and rights targeted at these BSC Parties, this could dilute the Code. The view was presented that this could set a precedent whereby other BSC Party types may be of the opinion that sections of the Code should not apply to themselves. It was agreed by the SSMG that these issues could be addressed either through a data licensing approach or by publishing data on the BMRS.

6.1.4 Alternative ways of making data available

The SSMG considered a number of solutions to P1114 (Annex 2). The SSMG agreed that the most suitable method would be a licensing approach, whereby non-BSC Parties could sign a licence in order to obtain access to BSC Party data. The SSMG believed that a licensing arrangement would provide a transparent process whereby non-BSC Parties could obtain access to information.

Although it was recognised that the costs associated with implementing a licence approach were more than for some of the alternative approaches, it was the view of the SSMG that these were justified for the additional protection of BSC Party interests and status provided by this approach. Therefore it was agreed that a licensing approach should form Proposed Modification P114.

Annex 4 of this document outlines the licence requirements specified by the SSMG and, for illustrative purposes only, an initial draft licence is included. Should P114 be Approved, final drafting of the licence would be completed prior to implementation.

6.1.5 Licence

The SSMG considered the draft Legal Text and licence. It was the view of the Proposer that that an additional obligation on BSCCo to make the licence available should be included in the draft Legal Text. Therefore the SSMG requested that, subject to legal advice, the draft Legal Text should include this obligation.

Legal advice, sought on whether it was possible to include this obligation, indicated it was not possible, or necessary, to include this obligation. In light of this legal advice the majority of the SSMG agreed that it was not necessary, or desirable, to include such an obligation in the Code. The Proposer held the view that, without this obligation on BSCCo to make a licence available, this data licensing approach would not better facilitate the Applicable BSC Objectives.

6.1.6 Disincentive to trade

It was the view of some members of the SSMG that implementation of P114 could potentially lead to a reduction in the level of Balancing Services made available to the Transmission Company.

Large demand sites, currently offering Balancing Services through the Balancing Mechanism, may be visible in some reports as individual BMUs. If information on these BMUs were easily available to large demand site's competitors these BMUs may be removed

from the Balancing Mechanism. Potentially this could lead to a reduction in the level of Balancing Services available to the Transmission Company. This was not considered a significant issue by the SSMG. However an industry view was obtained via consultation. This consultation was issued to large demand sites via the Energy Intensive User Group (EIUG).

Following consultation the SSMG concluded that, overall, implementation of P102 was unlikely to affect the level of balancing services offered to the Transmission Company. It was noted that no consultation responses had been received from directly connected customers or from EIUG.

6.1.7 Likely uptake

The SSMG considered the likely uptake of BSC Party status or licence arrangement on implementation of P114 Proposed Modification. After consideration of consultation responses the SSMG believed that uptake of reports direct from Central Systems was likely to be small (estimated at less than 5).

Under the licensing approach the SSMG believed it would be possible to minimise impact on service infrastructure. Under the licence agreement it would be possible for licensees to nominate a third party, also licensed, to receive data on their behalf. It was envisaged that this would lead to data processing agents being set up. These data processing agents would download and pre-process data on behalf of several licensees. Pre-processing would be desirable due to the extensive nature of the reports to be made available under P102. These nominated third parties would be bound by the conditions of the licence (Annex 4) and would only be able to provide data to fellow licensees. Responses to the second consultation indicated that uptake of the licence approach via a third party would be the preferred route to access data.

6.1.8 Interaction with Modification Proposal P102

The SSMG recognise that, should Modification Proposal P114 be approved, Alternative Modification P102 is not required, as P114 delivers the same solution as P102 Alternative Modification but is not restricted to LEGs. However the SSMG believed that, separately, both P102 and P114 would better facilitate the Applicable BSC Objectives.

6.1.9 Implementation

The SSMG considered whether, if approved, P114 should be implemented on a Calendar or Settlement Day basis. It was agreed that P114 should be implemented on a Settlement Day basis. This means that only reports that relate to Settlement Days post implementation would be made available through Central Systems. However it was noted that historic data would be available via a manual process, which is currently employed for the distribution of historic data to BSC Parties.

7 MODIFICATION GROUP ANALYSIS OF THE CONSULTATION RESPONSES AND IMPACT ASSESSMENTS

7.1 Summary of the Consultation Responses

Consultation responses (Annex 1) were obtained from both BSC Parties and non-BSC Parties potentially affected by P114. In total 15 responses were received, representing 54 BSC Parties and 6 non-BSC Parties.

The SSMG believed that large consumption, directly connected customers may have concerns surrounding BSC Party information being made available to a wider audience. The consultation was made available to large demand sites via the EIUG. No responses, on behalf of large demand sites, were received during the consultation process

7.1.1 Applicable BSC Objectives

Respondents were asked their views on whether the Proposed Modification and a potential alternative solution (publishing data on the BMRS) would better facilitate the Applicable BSC Objectives.

Proposed:

The majority of respondents, 11 of 15 (representing 49 of 54 BSC Parties and 5 of 6 non-BSC Parties) indicated that, overall, the Proposed Modification would better facilitate the Applicable BSC objectives. Two no comment responses and one general comment opposed to P114 were also received.

It was the majority view that the provision of data would better facilitate Applicable BSC Objective (c) –

Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity).

Responses also indicated that there would be either a negligible or beneficial effect on Applicable BSC Objective (d)-

Promoting efficiency in the implementation and administration of the Balancing and Settlement arrangements.

The SSMG reviewed the responses provided and noted:

- That the one response that indicated Proposed Modification P114 would not better facilitate the Applicable BSC Objectives stated that no case had been made for the provision of data. The SSMG noted that the Modification Proposal P114 (Reference 3) included a paper outlining reasons why LEGs required access to data. The SSMG believed that to avoid introducing an element of discrimination, the provision of data should not be limited to LEGs.

The SSMG concluded that Proposed Modification P114 would better facilitate the Applicable BSC Objectives.

Potential alternative solution:

The majority of respondents, 8 of 15 (representing 48 of 54 BSC Parties and no non-BSC Parties) believed that overall the potential alternative solution, publishing data on the BMRS, would not better facilitate the Applicable BSC objectives. One no comment response and one general comment opposed to P114 were also received.

There was majority support for the principle of providing access to data in that it would better facilitate Applicable BSC Objective (c)-

'Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity.'

However there were concerns that the publication of data on the BMRS would provide insufficient control over who could access the information. Also there were concerns that non-BSC Parties would not be contributing to the costs of making the data available to themselves.

The majority of the SSMG concluded that, overall, the potential alternative solution would not better facilitate the Applicable BSC Objectives, as compared to the Proposed Modification. However there was a minority view that, overall, this alternative solution would better facilitate the Applicable BSC Objectives, as compared to the Proposed Modification.

7.1.2 Preferred Solution

Respondents were asked whether they preferred the Proposed Modification or the potential alternative approach of publishing data on the BMRS.

The majority of respondents indicated a preference for the Proposed Modification.

The SSMG reviewed the rationales provided by the respondents and noted:

- All responses indicating a preference for the Proposed Modification were received from BSC Parties.
- All responses indicating a preference for the potential alternative solution were received from non-BSC Parties.

7.1.3 Provision of Data

Respondents were asked whether they supported the provision of data to any interested person.

The majority of respondents indicated support for the provision of data to any interested person.

The SSMG reviewed the rationales provided by the respondents and noted:

- Views that, beyond LEGs, no convincing case for the provision of data had been made.

It was the view of the SSMG that the case for provision of data to LEGs had been made and that it would be discriminatory to limit the provision of data to LEGs. Therefore the SSMG concluded that it was preferable to make data available to any interested person.

7.1.4 Specific issues with data provision

Respondents were asked if they had any specific issues with the BSC Party information, that would be available under P114, being made available to persons not involved in Trading activity. The majority of respondents, 8 of 15, indicated that there were issues with the data that would be available under P114. One no comment response and one general comment opposed to P114 were also received.

The SSMG reviewed the rationales provided by the respondents and noted:

- Several respondents had indicated that Trading data should be restricted to those involved in Trading activity. However the SSMG noted and agreed with the view of several respondents that this information was required by LEGs to manage their risk when dealing with Trading BSC Parties.
- There were concerns that information on the consumption patterns of directly connected customers would be made available to wider audience. It was noted by the SSMG that there are existing concerns over this information being made available to all BSC Parties. However existing obligations within the Code on use and confidentiality of this information were considered adequate protection for the interests of directly connected customers. As both the Proposed and Alternative Modification would place identical obligations on LEGs the SSMG considered that this would provide adequate protection.

The SSMG noted that there were concerns surrounding provision of Trading data to persons not involved in Trading activity. However the SSMG agreed that the both the Proposed and Alternative Modification provided the same level of protection as is currently provided under the Code.

7.1.5 Removal of Confidentiality

Respondents were asked if they had any specific issues with the removal of the confidentiality of data that would be available under P114 (as proposed under the potential alternative approach). The majority of respondents, 8 of 15, indicated that there were issues with the removal of confidentiality under P114. One no comment response and one general comment opposed to P114 were also received.

The SSMG reviewed the rationales provided by the respondents and noted (alongside issued raised in section 7.1.4):

- The view that existing obligations within the Code on use and confidentiality of this information are considered adequate protection for those to which the data relates. However removal of these confidentiality clauses should be avoided, as this would remove the associated protection.

The SSMG concluded that it was undesirable to remove the confidentiality of any data to be made available under P114.

7.1.6 Uptake

Respondents were asked for their views on the likely uptake of P114 Proposed Modification.

The SSMG considered the minority of responses indicating a view on the likely uptake of P114 Proposed Modification and noted:

- The number of licensees opting to receive reports direct from Central Systems was likely to be minimal.
- The majority uptake is likely to occur via a third party providing a pre-processing service.

The SSMG concluded that the Proposed Modification should allow data to be provided via a third party, this would have two beneficial effects. Primarily it would reduce the cost of obtaining useful information from the reports available under Proposed Modification P114, allowing smaller companies to use the information, hence increasing competition. Also if the majority of licensees receive data via a third Party the impact on Central Systems service infrastructure would be minimised.

Non-BSC Party respondents were asked to indicate whether, if implemented, they would utilise P114.

The SSMG reviewed the rationales provided by the respondents and noted:

- Non-BSC Party respondents indicated that they would prefer to access the data for free via the BMRS. However they would also be interested in obtaining data via the licensing approach.

7.1.7 Balancing services

Respondents were asked whether they believed implementation of P114 would cause a reduction of the Balancing services offered to the Transmission Company (Section 6.1.7).

The majority of respondents, 9 of 15, felt that implementation of P114 would not cause a reduction of the Balancing Services offered to the Transmission Company. One respondent indicated that there could possibly be an effect. 5 no comment responses to this question were also received.

The SSMG considered the responses and noted that one respondent believed that implementation of P114 could potentially increase the level of Balancing Services offered to the Transmission Company. The SSMG concluded that implementation of P114 would be unlikely to affect the level of Balancing Services made available to the Transmission Company.

7.1.8 Other comments

The following further comments were raised via consultation and considered by the SSMG:

- One BSC Party responses gave a general comment opposed to P114 on the grounds of the costs associated with implementing the change.

The SSMG noted that, under Proposed Modification P114, the licence would include an annual charge that includes some amount, beyond the operational costs, that would contribute towards the implementation costs. It was recognised that, in the short term, this would not entirely cover the implementation costs. However it was agreed that the implementation costs were justified to protect the interest of Trading BSC Parties.

7.2 Summary of Impact Assessments

This section summarises results of impact assessments of both the Proposed Modification and a potential alternative solution.

7.2.1 Proposed Modification

7.2.1.1 Parties

6 responses were received (including one no comment). 3 of these 6 responses indicated no impact on BSC Parties or BSC Party agents resulting from implementation of the Proposed Modification had been identified. One respondent indicated that 10 working days notice would be required to implement the Proposed Modification.

7.2.1.2 BSC Agent

Initial costs indicated by BSC Agents (Specifically CRA, SAA and CDCA) for the changes required to Central Systems to support the Alternative Modification (Annex 3, Option 1a) are summarised below:

- **Change Specific Costs = £26,533**

Change Specific Cost is the marginal cost of including these changes in a standard BSC Systems Release.

- **Project Overhead = £111,104**

If the Modification is not implemented as part of one of the standard BSC Systems Releases then the 'Project Overhead' must be added to the Change Specific Costs to arrive at the Total cost.

- **Total Cost = £137,637**

Total Costs = Change Specific + Project Overhead. The actual cost of implementing a change were included as part of a standard BSC Systems Release is normally made up of the Change Specific costs plus some small fraction of the Project Overhead.

- **Annual Maintenance cost = £19,269**

Annual Maintenance costs is calculated as a standard percentage (14%) of the Total cost.

- **Annual Operational costs = £5000 per annum to administer up to 20 licensees**

- **Project Duration = 9 Weeks**

A potential impact on communications was also identified. BSC Agent initial impact assessment stated that providing FTP accounts to licensees would put increased stress on Central Systems, which could result in the requirement to upgrade service infrastructure. However under the Proposed Modification it would be possible to identify whether individual FTP accounts belonged to LEGs or BSC Parties. Therefore it is possible to implement a separate contractual limit on the number Licensees registered in Central Systems. BSCCo felt that this would put them in a more manageable position in the future should it be necessary to increase this limit or the limit for BSC Parties. It was the view of BSCCo that

this could prevent significant costs being occurred in the future, should the uptake of the licence arrangement exceed initial expectation.

7.2.1.3 BSCCo

BSCCo internal Assessment identified the following impacts;

- **Market Entry**

BSCCo market entry department would be required to implement new processes to deal with the initial registration of licensees. The point was made that it is vital to ensure that licensees have restricted access to Central Services in order to maintain security. Therefore the solution which provides read only access to the FTP server was preferred.

6 weeks work required implementing updates to local working instructions and processes in support of the Alternative Modification.

- **CVA Operations**

BSCCo CVA Operations department did not support the use of BSC Party status as a method to obtain access to data. Also it was felt that, as it is not practical to distribute S0142 reports manually, only a solution which distributes these reports through Central Systems would be workable.

To support the operation of any form of licence arrangement a new process would be required to manage operational issues and to deal with the ongoing administration. Up to one quarter full time equivalent would be required to cover this role.

The point was raised that currently SAA reports, that would be available under P102, are only available for 7 days via FTP download. Historic data is provided to BSC Parties on request and consists of upwards of six CDs. Therefore any charge to licensees should reflect the increased impact if historic data were to be made available to licensees.

8 weeks work required implementing updates to local working instructions in support of the Proposed Modification P114.

- **Finance**

BSCCo finance department would be required to invoice licensees. No additional costs were identified, although this could change if there was substantial uptake. It was felt that any licence agreement should specify an annual fee, as this would generate less work than collecting a monthly payment. Also data should not be supplied until the first annual payment had been received.

- **CVA Programme**

Estimated effort 65 man-days effort to implement documentation updates. An implementation time-scale of 26 weeks, after an Authority decision, required for the Proposed Modification.

- **Legal**

Estimated effort 6 man-days to complete drafting of the licence. An initial draft of the licence is included in this document (Annex 4).

- **Assurance Dept**

Minor impact to update BSC Business Process Model & Register of Obligations. Estimated effort 1 man-day.

- **Stakeholder Services**

Minor impact on the workload of the Panel to authorise BSCCo requests for licence terminations where licensees had not been shown to be in breach (For example if a modification affecting licensing is approved).

7.2.2 Potential alternative solution

BSC Agent

Initial costs indicated by BSC Agents (Specifically BMRA, SAA and CDCA) for the changes required to Central Systems to support the publication of data via the BMRS (Annex 3, Option 2) are summarised below:

- **Change Specific Costs = £54,981**

Change Specific Cost is the marginal cost of including these changes in a standard BSC Systems Release.

- **Project Overhead = £133,549**

If the Modification is not implemented as part of one of the standard BSC Systems Releases then the 'Project Overhead' must be added to the Change Specific Costs to arrive at the Total cost.

- **Total Cost = £188,530**

Total Costs = Change Specific + Project Overhead. The actual cost of implementing a change were included as part of a standard BSC Systems Release is normally made up of the Change Specific costs plus some small fraction of the Project Overhead.

- **Annual Maintenance cost = £26,394**

Annual Maintenance costs is calculated as a standard percentage (14%) of the Total cost.

- **Annual Operational costs = £143,000 per annum**

- **Project Duration = 12 Weeks**

BSCCo

- **CVA Programme**

Estimated effort 27 man-days effort to implement documentation updates. An implementation time-scale of 23 weeks (this includes BSC Agent development time), after an Authority decision, would be required for the potential alternative solution of publishing data via the BMRS.

8 IMPACT ON THE CODE AND BSCCO DOCUMENTATION

This section describes the changes required to the Code in order to effect P114.

8.1 Proposed Modification

8.1.1 BSC Section V: "Reporting"

Paragraph 3.2- "Reports"

Updated to include responsibilities of BSCCo in provision of data to Licensees.

Annex V-1- "Table of reports"

Updated to identify reports to be made available through the Licence arrangement.

8.1.2 BSC Section X: "Definitions and Interpretations"

Table X-2- "Terms and Expressions Applying Except in Relation to Section S"

Definition of Licensed Data Person, as a person who has entered into a licence agreement with BSCCo, added.

9 IMPACT ON BSC SYSTEMS

9.1 Proposed Modification

Changes to Central Systems would be required to support the Alternative Modification are as follows;

- New role in CRA created
- Each licensee registered in Central Systems would have a read only FTP account (High/Low grade).
- S0142 report made available from shared area as for BSC Parties.
- CDCA flows available in the same manner as S0142 (i.e. for Licensed Data Persons and BSC Parties), creating three new shared access directories.
- Licensed Data Persons do not require ability to encrypt/decrypt, nor validate sequence numbers, or ability to send response files.

10 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS

No impact on Core Industry Documents or supporting arrangements was identified.

11 IMPACT ON BSSCO

11.1 Proposed Modification

- BSSCO will be required to draft a licence. An outline of the requirements and an initial draft has been included in this document (appendix 4).

- BSCCo would be required to develop a new process to support the registration of licensees with the new role code in Central Systems.
- BSCCo would be required to undertake the ongoing administration of the licensing process. This would include the manual provision of historic data as occurs for BSC Parties.
- BSCCo would require a new process for invoicing licence agreement signatories.

12 IMPACT ON PARTIES AND PARTY AGENTS

No impact on existing Parties and Party agent was identified.

13 IMPACT ON TRANSMISSION COMPANY

No impact on the Transmission Company was identified.

14 PROJECT BRIEF

The detailed costs and timescales in this Report are based on the costs and timescales received from the BSC Agents (specifically the CRA, SAA and CDCA), BSCCo and BSC Parties.

Should the Authority approve Proposed Modification P114 a Project will be required for implementation of the changes required to:

- develop the changes to software required to implement the Proposed Modification;
- implement the necessary changes to the Code Subsidiary Documents and other configurable items;
- develop changes required to BSCCo internal process to support the Proposed Modification; and
- finalise drafting of the licence required to implement the Proposed Modification.
- The BSC Agent has provided costs and time-scales for the development of the changes to the CDCA documentation, CRA documentation and software required to implement the Proposed Modification. The BSC Agent estimates that the development would take approximately 9 weeks. BSC Agent Costs are as follows:

Change Specific Costs¹ = £26,533

Project Overhead² = £111,104

Total Cost³ = £137,637

Annual Maintenance cost⁴ = £19,269

¹ Change Specific Cost is the marginal cost of including these changes in a standard BSC Systems Release.

² If the Modification is not implemented as part of one of the standard BSC Systems Releases then the 'Project Overhead' must be added to the Change Specific Costs to arrive at the Total cost.

³ Total Costs = Change Specific + Project Overhead. The actual cost of implementing a change were included as part of a standard BSC Systems Release is normally made up of the Change Specific costs plus some small fraction of the Project Overhead.

⁴ Annual Maintenance costs is calculated as a standard percentage (14%) of the Total cost.

Annual Operational costs = £5000 per annum to administer up to 20 licensees

BSSCo will be responsible for managing implementation of the Proposed Modification and will require an additional 14 weeks after the completion of development to complete testing activities.

BSSCo estimate a total of 142 man-days effort is required to deliver the Project. This includes 65 days effort on behalf of the CVA Programme, 30 from Market Entry, 40 from Operations and an additional 6 from Legal.

In addition BSSCo estimate the equivalent of one quarter full time equivalent will be required to support the ongoing operation of the Proposed Modification.

Therefore the SSMG agreed an Implementation Date for Proposed Modification P114 of 4 November 2003, should the Authority determination be received before 2 May 2003. Should an Authority determination be received after this date, but prior to 22 August 2003 then the SSMG agreed that the Implementation Date should be 24 February 2004.

15 PROPOSED TEXT TO MODIFY THE BSC

The following sections include the legal drafting for the Proposed Modification. Legal drafting will be sent out for consultation before the Modification Report is submitted to the March Panel meeting.

The SSMG reviewed the draft Legal Text for the Proposed Modification and confirmed that it addresses the defect described in P114. It was noted that the Proposer of P114 believes only Proposed Modification P114 does not better facilitate the Applicable BSC Objectives, due to concerns over the licensing approach.

15.1 Proposed Modification

See attached document

ANNEX 1 P114 CONSULTATION RESPONSES

See attached document:

P114AR-ATT2- Assessment Consultation Responses

ANNEX 2 SOLUTIONS CONSIDERED DURING ASSESSMENT OF P114

Potential solutions were considered during assessment of P114 as described below;

- **Remove the requirement to commence trading**

By removing paragraph 2.6 of Section A of the BSC “Withdrawal of a Party which does not commence trading” such that Non-Trading BSC Parties would be entitled to remain BSC Parties, notwithstanding that none of the steps specified in paragraph 2.6.3 of Section A has been taken.

- **‘Non-Trading’ BSC Party status**

This solution involves the creation of a new class of BSC Party, that of ‘Non-Trading’ BSC Parties. This classification of BSC Party would be excused the obligation to commence trading, within 6 months of accession to the Code. By identifying ‘Non-Trading’ BSC Parties within the Code, specific charges and obligations could be targeted at these BSC Parties. On consideration of the BSC Agent initial impact assessment for this solution the SSMG rejected this approach. It was felt that this solution failed to address several issues removed by a licence agreement approach and offered negligible cost benefit.

- **Licence agreement**

Under this proposal a licence agreement would be created which non-BSC Parties could sign in order to receive BSC data. This solution forms the Proposed Modification as discussed in this document.

- **Remove Trading Data Confidentiality**

By removing confidentiality clauses, relating to Trading Data, from the Code, such information could be made available to any interested person. Capacity already exists within the Code to supply data to third parties on request. This solution was rejected by the SSMG as, although it would provide LEGs with the right to access BSC information, it failed to address the practical issue of how this data would be provided. The SSMG also believed there were legal issues surrounding removal of data confidentiality.

- **Publish data on the BMRS**

Consideration was given to the publication of data on the BMRS. Under this solution data that would be made available via Proposed Modification P114 would be made available for download on the public access BMRS. However this approach failed to address concerns of the SSMG relating to control over the access to information and cost recovery.

Impact Assessments and Consultation for each of these solutions was completed during the Assessment procedure. For further details of the solutions considered refer to the ‘High Level Requirements Specification for P102’ (Reference 6) and the ‘High Level Requirements Specification’ (Reference 4) for P114.

ANNEX 3 IMPACT ASSESSMENTS

BSC Party

See attached document:

- P114AR-ATT3-Responses to MC00036

BSC Agent Impact Assessment

See attached document:

ANNEX 4 DRAFT LICENCE

The licence would be drafted and would be approved by the Panel as part of the implementation of Proposed Modification P114. The SSMG agreed the following high level requirements for the licence.

- **Confidentiality**

The confidentiality obligations of non-BSC Parties signed up to the licence will be similar to those of BSC Parties signed up to the BSC. Therefore the confidentiality terms within the licence would mirror similar obligations within the Code. This would include the requirement to use data only for the purpose of supply and generation of electricity in the United Kingdom.

- **Information Provided**

This would include reports detailed in Section V of the Code that are currently available to all BSC Parties. Historic versions of this data would be made available using the manual process currently used for BSC Parties.

- **Cost recovery**

Licensees would be required to pay an annual fee covering the costs of providing data. It was the view of the SSMG that this fee should initially be set at an annual value of £3,000, to be agreed by the Panel during implementation.

- **Termination**

BSCCo will have the ability to terminate the agreement with any licensee on any breach by that licensee. BSCCo will also be able to terminate the agreement on reasonable grounds (For example a Modification affecting licensing is to be implemented). However if BSCCo requires termination without agreement from the licensee, for any reason other than a breach on behalf of the licensee, Panel approval would be necessary.

Licensees will have the power to terminate at any point, no Panel approval required.

- **Changes to Licence agreement**

Panel approval will be required for any changes to the standard licence agreement.

- **Third party access**

Facility will be included in the licence for provision of data via a third party. This will allow data provision services to be set up such that data can be pre-processed on the behalf of licensees. A potential benefit of this approach is that there would be fewer licensees physically accessing Central Systems and therefore a reduction of the impact on service infrastructure.

For information an initial draft licence discussed by the SSMG during the Assessment Procedure has been included in this document (See attached document P114AR-ATT5-P114draftlicencev2CLEAN). The SSMG recognised that the final licence would be developed during implementation.