

Modification Group Meeting Notes

Meeting name	GOVERNANCE STANDING MODIFICATION GROUP MODIFICATION PROPOSAL P108 – To enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)
Meeting no.	01
Date of meeting	15 November 2002
Time	10:00 – 13:00
Venue	Mayfair Conference Centre, 17 Connaught Place, London, W2 2EL

This note records the outcome of the Governance Standing Modification Group ('the GSMG') meeting held on 15 November 2002 in respect of Modification Proposal P108, highlighting the key discussions, key decisions taken and next steps agreed.

1. GROUP – DISCUSSION

The Chairman outlined the background to the recent changes to the Applicable BSC Objectives, i.e. an additional Objective, (e). This permits a BSC Modification Proposal, such as P108, which authorises the BSCCo to assist the Authority on BETTA to be raised and considered.

The Proposer's representative provided an outline of what the Modification Proposal is intended to achieve, i.e. enabling BSCCo to prepare for the implementation of BETTA.

The Lead Analyst outlined the results of the Initial Written Assessment, that the two areas of impact were likely to be upon BSC, Sections C and D in particular; and upon ELEXON internal procedures, in relation to BETTA-related costs. The GSMG agreed that the three issues that it needed to consider were as follows.

- P108 required clarification to determine an appropriate end point to the authorisation given to BSCCo to work on BETTA.
- P108 required clarification to determine precisely how initial funding of BSCCo's BETTA costs would be made. (The GSMG noted the determination made at the BSC Panel that eventual cost recovery was ultra vires).
- The process by which reports would be made to BSC Parties on the progress and costs of the BETTA work undertaken by BSCCo.

The GSMG agreed that it did not, at this stage, identify any additional issues that required consideration.

The GSMG considered the plan for the 1-month Assessment Procedure, noting that one further GSMG meeting would be held (on 29 November 2002) to discuss consultation responses; draft legal text;

and the draft Assessment Report for the next BSC Panel meeting, to be held on 12 December 2002.

In relation to the above three issues, the GSMG discussions were as follows.

Duration of authorisation given to BSCCo to undertake work on BETTA. A number of different options were considered. Modification Proposal P108 had suggested, for example that the authorisation might cease upon the appointment of the GB BSCCo. It was noted that the detail of the transition from NETA in England & Wales to BETTA across Britain was not yet known. This might mean that, for example, the end point of authorisation might need to be sufficiently flexible to allow a period with both a BSCCo and a GB BSCCo with a handover between the two parties. In this case, the appointment of the GB BSCCo would not be an appropriate end point for authorisation of the BSCCo to work on BETTA.

The GSMG also noted that in the Ofgem document concluding on changes to the NGC Transmission Licence¹, paragraph 5.15, the statement that "Ofgem agrees that the licence amendment should remain in force only for the period necessary to give effect to the BETTA proposals." Therefore, GSMG considered that a link to the new Applicable BSC Objective (e), might deliver an appropriate end point, such that when this Objective (e) ceased to be in force, then the BSCCo authorisation should also cease.

There was also a view that any sunset clause was inappropriate, i.e. there should be no end point to the authorisation.

The GSMG decided to consult on three options:

- A fixed date, for example 31 March 2005 (one year beyond the current planned BETTA implementation date to allow for slippage in the BETTA timetable), beyond which the authorisation to BSCCo to undertake work on BETTA would cease.
- The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force.
- There should be no defined end point to the authorisation given to BSCCo.

Clarification of Initial Funding of BSCCo's BETTA work. The GSMG discussed initial funding of any BETTA work undertaken by BSCCo.

Initial funding means the ongoing funding of BSCCo's BETTA working costs by BSC Parties. This is distinct from cost recovery, which is a process by which such costs may be re-allocated (to different parties and/or in different proportions for example), probably under the future GB BSC. There are precedents for this, for example NETA development.

The GSMG considered various options for initial funding, including recovering the BSCCo's BETTA costs under existing processes as BSC Costs under Section D of the BSC, i.e. after funding BSCCo's

¹ "ELEXON and the introduction of BETTA, Conclusions on the Proposed Modification to NGC's Transmission Licence and Consultation under Section 11A Notice to modify NGC's Transmission Licence", published by Ofgem on 18 September 2002.

costs through Specified and SVA Charges, all remaining BSCCo costs are funded by each Party in proportion to its share of aggregate Credited Energy Volumes in each month. This was seen as a refinement of the P108 Modification Proposal.

The GSMG considered whether this apportionment meant that some BSC Parties would not bear any of the BSCCo's BETTA costs, e.g. those who did not have Credited Energy Volumes would not contribute. The point was also made that this feature was not new. The GSMG considered how costs might be apportioned over those parties who did not have Credited Energy Volumes, in particular those parties who were trading but had balanced positions. It was determined that, if this were an option, it would have to be simple to operate. The GSMG determined to consult on an initial funding arrangement that would be based upon charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. It was noted that this would also catch other parties, for example distribution businesses, not only those with balanced trading positions. The monthly fee suggested would be based upon (estimated annual costs to be incurred by BSCCo in undertaking BETTA work) divided by (number of BSC signatories). This could be a potential Alternative Modification to P108.

GSMG also considered whether the initial funding of BETTA costs should be borne by only those BSC Parties with interests in the Scottish electricity market. A member of the GSMG suggested this funding option as being appropriate in case BETTA were not to be implemented (and presumably by inference, when there would be no eventual cost recovery re-allocation). It was also suggested as being appropriate if BETTA was to the benefit of Scottish parties, but members of the GSMG did not all agree that only existing Scottish parties would benefit under BETTA. Some thought that the benefits of BETTA were intended to be GB-wide.

This proposal was based upon the technique suggested by Modification Proposal P97² (which was proposed and subsequently withdrawn in September 2002). This proposed that BSCCo's BETTA costs should be initially funded by "BSC Parties (or BSC Parties with sister or parent companies) serving the Scottish electricity supply market in proportion to a snapshot of current market shares by volume".

The GSMG discussed the practicality of this approach noting that Scottish Electricity Settlements Ltd. (SESL) was not permitted at present to release data on Scottish market shares. However, it was thought that some commercial data organisations might already publish data on Scottish market shares. The GSMG did not, at this stage, come to definitive conclusions on the practicalities of this approach. The proposer of this option agreed to investigate the practicalities of ascertaining Scottish market shares. The GSMG agreed to consult on the principle of initial funding from only BSC Parties with Scottish electricity market interests, in the manner proposed by Modification Proposal P97. This would be another potential Alternative Modification to P108.

Reporting by BSCCo to BSC Parties. ELEXON outlined a reporting process by which it could make information (progress and costs) on work it was undertaking on BETTA available to BSC Parties. This used existing reporting mechanisms, i.e. through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the

² Modification Proposal P97 "Modification to enable ELEXON to prepare for the implementation of British Electricity Trading and Transmission Arrangements" submitted by Powergen UK plc on 2 September 2002, was withdrawn by the Proposer on 11 September 2002.

ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto).

The GSMG supported the use of existing reporting mechanisms for reporting on BSCCo's BETTA work. The GSMG suggested that budgeted and actual expenditure could be reported against each BETTA work package. It was noted that the ELEXON Board would scrutinise the BETTA work, and that ELEXON would continue to report and give assurance to the BSC Panel on its ongoing England & Wales obligations.

The GSMG considered the drafting instructions to be given for the draft legal text for P108 and agreed a draft tabled by ELEXON should be the basis for the legal drafting to be presented at the next meeting of GSMG on P108. There was a question on the use to which BSCCo might use BSC data and systems in conjunction with any authorised BETTA work undertaken by it. ELEXON suggested that it was foreseen that this would be in conjunction with any data take-on, testing and trialling that it was required to undertake as part of BETTA development.

The GSMG considered a set of draft consultation questions tabled by ELEXON and agreed amendments.

2. WAY FORWARD AND NEXT STEPS

The GSMG considered the plan for the 1-month assessment procedure, noting that one further GSMG meeting would be held (on 29 November 2002) to discuss consultation responses; draft legal text; and the draft Assessment Report. The intention is to present the Assessment Report for P108 to the next BSC Panel meeting on 12 December 2002.

It was agreed that ELEXON would issue a draft of the consultation document and questions for GSMG comment by close of play 18 November 2002. ELEXON would then issue the consultation on 19 November 2002 for consideration by Parties, allowing 5 working days for responses, i.e. with a closing date of 26 November 2002. ELEXON would collate the responses for the next GSMG. It would also be providing draft legal text and a first draft of the Assessment Report as soon as practicable.

In attendance		
	Gareth Forrester	ELEXON
	Terry Ballard	Innogy
	Abid Sheikh	Scottish Power
	Danielle Lane	Centrica
	Chrissie Sykes	Powergen
	Nigel Brooks	National Grid
	Steve Wilkin	ELEXON
	Richard Humphreys	ELEXON
	Melanie Naulls	ELEXON
	Melissa Boag	ELEXON
	Peter Bolitho	Powergen
	Ronnie Quinn	SESL