

November 2002

**INITIAL ASSESSMENT OF
MODIFICATION PROPOSAL P108 -
Modification to enable BSCCo to
prepare for the implementation of
British Electricity Trading and
Transmission Arrangements (BETTA)**

Prepared by ELEXON Limited

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I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Signature	Change Reference
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1.0	14/11/02	BSC Panel		

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

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1. SUMMARY

Modification Proposal P108 'Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)', included in Annex 1, was submitted on 1 November 2002 by British Gas Trading Limited.

P108 seeks to modify the Balancing and Settlement Code to authorise BSCCo to provide or procure assistance to the Authority in connection with the development of BETTA.

An initial assessment of P108 has identified the following potential areas of impact and issues to be considered.

The impact, in respect of legal documentation, would be changes to the BSC Sections C and D (and possibly in addition, Sections E and X). The other area of impact would be on ELEXON procedures, in relation to: the process for gaining approval of BETTA work proposed by BSCCo; the separate identification of the costs of BSCCo's BETTA work; and the reporting of progress on, and costs of, its BETTA work to BSC Parties.

The potential issues that will or may arise during the progression of this Modification Proposal through the Modification Process are:

- to consider and define an appropriate end point for any authorisation to BSCCo to undertake BETTA related work;
- the process by which BSCCo should make available to BSC Parties regular reports on the progress and costs of its BETTA activities, although this may not need to be incorporated in any BSC Modification legal text e.g. if existing reporting routes are used; and
- the process by which BSC Parties bear the initial funding of BSCCo's BETTA costs.

It might be considered that cost recovery (as distinct from initial funding)¹ would be an issue during the Assessment Procedure for P108. However, ELEXON recommends that this should be out of scope for the following reason. The Authority has stated² that it is planning to issue a consultation on cost recovery shortly. Therefore, it is assumed that the scope of the P108 Assessment Procedure will need to include a consideration of the initial funding of BSCCo's BETTA costs but not eventual cost recovery, which will be the subject of this separate Authority consultation. This constraint should be specified in the Modification Group Terms of Reference.

Modification Proposal P108 is an enabling Modification, permitting ELEXON to undertake work in connection with implementing BETTA. As noted above, the direct impact of implementing this Modification is mainly limited to Code changes and processes to separately account for and report on any work ELEXON undertakes on BETTA. This Assessment does not consider the impact of the BETTA development work that ELEXON may undertake as a consequence of this Modification were it to be implemented.

¹ It is assumed here that "cost recovery" refers to final allocation of BETTA related costs, probably to be specified under the proposed GB BSC. In this respect it is different from the initial funding of BSCCo BETTA costs.

² "Notice – In accordance with the Authority's duty to give reasons by virtue of section 49A of the Electricity Act 1989, the following explains why the Authority has modified condition C3 of the National Grid Company's Transmission Licence", Notice issued by the Authority on 30 October 2002.

The BSC Panel is invited to:

- **NOTE the results of the Initial Written Assessment;**
- **DETERMINE that Modification Proposal P108 should be submitted to Assessment Procedure in accordance with section F2.6 of the Code;**
- **AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the BSC Panel for consideration at its meeting of 12 December 2002;**
- **DETERMINE that the Assessment Procedure should be undertaken by the Governance Standing Modification Group; and**
- **AGREE any refinement to the standard Modification Group Terms of Reference.**

2. INTRODUCTION

This Report has been prepared by ELEXON Ltd. on behalf of the Balancing and Settlement Code Panel ('the BSC 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. DESCRIPTION OF THE MODIFICATION PROPOSAL

A copy of the Modification Proposal, as submitted by its proposer, can be found at Annex 1 to this report.

The Modification Proposal proposes that BSCCo be authorised to provide or procure assistance to the Authority in connection with the development of BETTA (British Electricity Trading and Transmission Arrangements). Currently there are legal constraints on the activities that ELEXON may undertake. In particular, Section C1.2.2 of the Code states that ELEXON, being the BSCCo, "shall not undertake any business or activity other than as provided for in the Code". Currently there is no provision in the Code that would permit ELEXON to assist with the development of BETTA.

The Modification Proposal P108 proposes the following.

- ***Authorisation for BSCCo to assist with BETTA and the main areas of such work.*** P108 proposes that BSCCo be authorised to provide or procure assistance to the Authority in connection with the development and implementation of BETTA, primarily in the following areas:
 - identification of the changes to systems and contracts of BSC Agents required to support the implementation of BETTA;
 - progression of the above changes;
 - identification of the changes required to the drafting of the BSC and associated Subsidiary Documents in order to support the implementation of BETTA; and

- planning and preparing for the transition (from the existing arrangements in England and Wales and in Scotland) to and introduction of a GB BSC.
- **Scope of BSCCo work on BETTA to be limited.** The scope of the work undertaken by BSCCo should be limited to that necessary and timely for the effective implementation of BETTA and that is relevant to the proposed GB BSC.
- **Authorisation to be time limited.** The authorisation to be given by this Modification (if approved) is to be time-limited, such that “beyond an appropriate break point (e.g. the appointment of a GB BSCCo)” BSCCo would no longer be permitted to carry out BETTA related work.
- **BSCCo utilisation of BSC Agents and BSC data and systems in connection with such work.** BSCCo would be able to request services from BSC Agents, and use and disclose BSC data and systems for the purposes of providing assistance to the Authority.
- **Approval process.** Each area of work must be proposed by BSCCo and approved by the Authority prior to its commencement.
- **Costs and funding.** Costs incurred by BSCCo in providing such assistance to the Authority must be separately identified. Such costs would, however, be borne by all BSC Parties.
- **Monitoring and reporting on BSCCo work.** The BSCCo Board should monitor and control the company’s activities and costs and BSCCo should make available to BSC Parties regular reports on the progress and costs of its BETTA activities.

4. IMPACT ON BSC SYSTEMS AND PROCESSES

None identified at this stage. This will be subject to confirmation during the Assessment Procedure.

5. IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

None identified at this stage. This will be subject to confirmation during the Assessment Procedure.

6. IMPACT ON DOCUMENTATION

6.1 Impact on Balancing and Settlement Code

The potential impacts on the Balancing and Settlement Code are listed below. It should be noted that only an indication of potential impact is given. The Assessment Procedure should confirm the impacts.

BSC Section	Potential Impact of Proposed Modification
C: BSCCo and its Subsidiaries	ELEXON to be authorised to provide and procure assistance to the Authority in connection with BETTA in the terms proposed by this Modification Proposal.

BSC Section	Potential Impact of Proposed Modification
D: BSC Cost Recovery and Participation Charges	Costs incurred by BSCCo in providing and procuring assistance to the Authority in connection with BETTA to be separately identified by BSCCo.
E: BSC Agents	Possible change to authorise BSCCo to request services from BSC Agents for the purposes of assisting the Authority with BETTA. This will be confirmed or otherwise during the Assessment Procedure.
X: ANNEX X-1 General Glossary	Consequential additions covering the BSCCo work related to BETTA may be needed.
X: ANNEX X-2 Technical Glossary	Consequential additions covering the BSCCo work related to BETTA may be needed.

6.2 Impact on Code Subsidiary Documents

None identified at this stage. This will be subject to confirmation during the Assessment Procedure.

6.3 Impact on Core Industry Documents

None identified at this stage. This will be subject to confirmation during the Assessment Procedure.

7. IMPACT ON OTHER CONFIGURABLE ITEMS

None identified at this stage. This will be subject to confirmation during the Assessment Procedure.

8. IMPACT ON ELEXON

The potential impacts on ELEXON are listed below. It should be noted that only an indication of potential impact is given. The Assessment Procedure should confirm the impacts.

Area of Business	Potential Impact of Proposed Modification
ELEXON Systems	Separate identification of ELEXON's BETTA related costs.
ELEXON Procedures	Approval process for BETTA related work. Separate accounting for BETTA related costs. Reporting on BETTA related work progress and costs to BSC Parties.
Other (e.g. costs, staffing, etc.)	The Modification Proposal itself does not impose any other direct costs upon ELEXON.

	However, the BETTA work potentially enabled by the Modification Proposal would, if authorised, cause ELEXON to incur additional costs over and above those approved in the current BSCCo Business Strategy.
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9. IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

As P108 is a Modification Proposal enabling ELEXON to undertake BETTA development work, should such work proceed, consequential costs of such work will be incurred. A direct impact of P108 will be the need to separately account for ELEXON's BETTA related costs.

10. IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

The potential impacts on BSC Agent contractual arrangements are listed below. It should be noted that only an indication of potential impact is given. The Assessment Procedure should confirm the impacts.

BSC Agent Contract	Potential Impact of Proposed Modification
Logica (BMRA, CRA, CDCA, SAA, ECVAA, TAA(CVA))	P108 does not of itself require any changes to BSC Agent contracts to be implemented. It is, however, possible that changes to BSC Agent contracts may be required at some later point, to enable some aspects of BETTA work to be undertaken.
EPFAL (FAA)	As above.
ESIS (TAA(SVA))	As above.
Cap Gemini (SVAA)	As above.
PwC (BSC Auditor, Certification Agent)	As above.
EASL (Teleswitch Agent, Profile Administrator)	As above.

11. PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

ELEXON recommends that this Modification Proposal P108 be submitted to the Assessment Procedure.

ELEXON is proposing a one-month Assessment Procedure in view of the Authority's proposed BETTA implementation date of April 2004, and the consequent need to commence work on BETTA, should this Modification Proposal be approved by the Authority, as soon as is practicable.

It should be noted that this approach involves paralleling some activities and that therefore there is a degree of risk in this timetable, in the event that any new issues arise late in the Assessment Procedure, for example. This might necessitate seeking a one-month extension to the Assessment Procedure, which would result in the Assessment Report being submitted to the BSC Panel meeting on 16 January 2003. Recognising the need to expedite this work, however, a one-month Assessment Procedure is being suggested.

Therefore, it is recommended that the BSC Panel endorse that the Modification Proposal be submitted to the Assessment Procedure with an Assessment Report being presented to the BSC Panel at its meeting on 12 December 2002.

ELEXON recommends that P108 be submitted to the Governance Standing Modification Group as it concerns the vires of BSCCo.

12. ISSUES

The following issues will need to be considered and addressed in the progression of this Modification Proposal.

- **Duration of authorisation to BSCCo** - The Modification Proposal states that BSCCo would not be permitted to carry out BETTA related work beyond "an appropriate break point (e.g. the appointment of a GB BSCCo)". It will be necessary as part of the Assessment Procedure to consider and define what such an appropriate break point would be.
- **Reporting to BSC Parties on BETTA work and costs** – The Modification Proposal states that BSCCo should make available to BSC Parties regular reports on the progress and costs of its BETTA activities. The process by which this is done may be considered as part of the Assessment Procedure, although this may not need to be incorporated in any BSC Modification legal text, e.g. if existing reporting routes are used.
- **Initial funding of BETTA work** – The Modification Proposal states that BSCCo's BETTA costs should be borne by all BSC Parties. The process by which initial funding of these costs is done should be considered as part of the Assessment Procedure.

It might be considered that cost recovery would be an issue during the Assessment Procedure for P108. However, ELEXON recommends that this be out of scope for the following reason. (It is assumed here that "cost recovery" refers to final allocation of BETTA related costs to be specified under the proposed GB BSC. In this respect it is distinct from the initial funding of BSCCo BETTA costs.)

The Authority amended National Grid Company's Transmission Licence on 30 October 2002 and inserted an additional Applicable BSC Objective, set out in Standard Condition C3.3(e) that permits the consideration of a BETTA related Modification Proposal such as P108. In publishing its reasons for the licence amendment, the Authority indicated that it would be shortly publishing a consultation on cost recovery. Therefore, it is recommended that the scope of the P108 Assessment Procedure will need to include a consideration of the initial funding of BSCCo's BETTA costs but not eventual cost recovery, which will be the subject of this separate Authority consultation. This constraint should be specified in the Modification Group Terms of Reference.

ANNEX 1 – MODIFICATION PROPOSAL

Modification Proposal	MP No: 108 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)	
Submission Date <i>(mandatory by proposer):</i> 1 November 2002	
<p>Description of Proposed Modification <i>(mandatory by proposer):</i></p> <p>This proposal seeks to authorise BSCCo to provide or procure assistance to the Gas and Electricity Markets Authority (the Authority) in connection with the development and implementation of BETTA, primarily assistance in:</p> <ul style="list-style-type: none"> - identification of the changes to systems and contracts of BSC Agents required to support the implementation of BETTA; - progression of the above changes so as to support the implementation of BETTA; - identification of the changes required to the drafting of the BSC and associated Subsidiary Documents in order to support the implementation of BETTA; and - planning and preparing for the transition (from the existing arrangements in England and Wales and in Scotland) to and introduction of a GB BSC. <p>The costs incurred by BSCCo in providing assistance to the Authority would be separately identified, but borne by all BSC Parties.</p> <p>Each area of work must be proposed by BSCCo and approved by the Authority prior to its commencement.</p> <p>ELEXON would be able to request services from BSC Agents, and use and disclose BSC data and systems for purposes of providing assistance to the Authority.</p> <p>The scope of ELEXON's activities should be limited to those that are necessary and timely for the effective implementation of the proposed BETTA arrangements and relevant to the proposed GB-wide BSC. BSCCo would not, therefore, be permitted to carry out BETTA related work beyond an appropriate break point (e.g. the appointment of a GB BSCCo).</p> <p>The BSCCo Board should monitor and control the company's activities and costs and BSCCo should make available to BSC Parties regular reports on the progress and costs of its BETTA activities.</p>	
<p>Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i></p> <p>BSCCo is not currently able to undertake any work in relation to preparation for the introduction of a GB-wide BSC under BETTA, as the scope of its activities, resources and services is limited only to those necessary to fulfil its role in relation to balancing and settlement in England and Wales. BSCCo must contribute to BETTA implementation to increase the assurance that the target BETTA implementation date of April 2004 will be met.</p>	
<p>Impact on Code <i>(optional by proposer):</i></p> <p>Sections C and D</p>	
<p>Impact on Core Industry Documents <i>(optional by proposer):</i></p> <p>No impact expected.</p>	

Modification Proposal	MP No: 108 <i>(mandatory by BSCCo)</i>
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> No impact expected.	
Impact on other Configurable Items <i>(optional by proposer):</i> No impact expected.	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> This proposal better facilitates the achievement of the Applicable BSC Objective contained in Standard Condition C3.3(e) of NGC's Transmission Licence, namely: (e) without prejudice to the foregoing objectives and subject to paragraph 3A, the undertaking of work by BSCCo (as defined in the BSC) which is: <ul style="list-style-type: none">(i) necessary for the timely and effective implementation of the proposed British Electricity Trading and Transmission Arrangements (BETTA); and(ii) relevant to the proposed GB wide balancing and settlement code; and does not prevent BSCCo performing its other functions under the BSC in accordance with its objectives. 3A For the purposes of, and without prejudice to, paragraph 5(a), in order to better facilitate achieving the objective referred to in paragraph 3(e), any modification to the BSC providing for the undertaking of work by BSCCo pursuant to paragraph 3(e) must include express provision that: <ul style="list-style-type: none">(i) such work is proposed by BSCCo and approved by the Authority prior to its commencement; and(ii) the costs of such work as may be carried out by BSCCo shall be identified and recorded separately by BSCCo.	
Details of Proposer: Name: Simon Goldring Organisation: British Gas Trading Limited Telephone Number: 01753-758051 Email Address: simon.goldring@centrica.co.uk	
Details of Proposer's Representative: Name: Danielle Lane Organisation: British Gas Trading Limited Telephone Number: 01753-758156 Email Address: danielle.lane@centrica.co.uk	

Modification Proposal	MP No: 108 <i>(mandatory by BSCCo)</i>
Details of Representative's Alternate: <p style="margin-left: 40px;">Name:</p> <p style="margin-left: 40px;">Organisation:</p> <p style="margin-left: 40px;">Telephone Number:</p> <p style="margin-left: 40px;">Email Address:</p>	
Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	