

Responses for P108 Assessment Consultation

Consultation issued 19 November 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	CECL, IETS, RPCL and SPAL	P108_ASS_001	4
2.	Centrica	P108_ASS_002	5
3.	EdF Trading Ltd & EdF Generation	P108_ASS_003	2
4.	Powergen	P108_ASS_004	14
5.	Aquila Networks	P108_ASS_005	1
6.	LE Group	P108_ASS_006	4
7.	NGC	P108_ASS_007	1
8.	Innogy	P108_ASS_008	8
9.	British Energy	P108_ASS_009	3
10.	Scottish Power	P108_ASS_010	6
11.	Scottish and Southern	P108_ASS_011	4

P108_ASS_001 – CECL, IETS, RPCL and SPAL

Respondent:	<i>Chris Ridgway</i>
Responding on Behalf of	<i>Coryton Energy Co Ltd, InterGen Energy Trading and Shipping Ltd, Rocksavage Power Co Ltd, Spalding Energy Co Ltd.</i>
Role of Respondent	<i>BSC Parties</i>

Question	Response	
<p>1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>(Note that an additional Applicable BSC Objective, (e), was added on 30 October 2002 – see cover document accompanying this Pro-Forma for details.)</p>	<p>Yes/No:</p> <p>Yes</p>	<p>Rationale:</p> <p>Since a mod is deemed necessary to allow BSCCo to undertake work defined by the Authority to fulfil Objective (e).</p>
<p>2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not carry be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has considered what an appropriate break point might be, and wishes to consult on three options:</p> <p>a) 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; or</p> <p>b) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or</p> <p>c) There should be no defined end point to the authorisation given to BSCCo.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give.</p>	<p>Please state preference:</p> <p>(If option (a) – the fixed date – is your preferred option, please suggest a particular date.)</p> <p>The earlier of a) or b) with the fixed date in a) being the planned implementation date of BETTA 31 Mar 2004.</p> <p>Rationale:</p> <p>The date for the break point should be the planned point of implementation. This would help focus the BSCCo and Ofgem on implementing BETTA on time. A later date is only necessary if Ofgem's planned implementation date is believed to be unrealistic. The costs to BSC parties of any overrun could prove significant if an open ended authorisation for work was given to the BSCCo.</p>	

<p>3. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote¹ for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:</p> <p>a) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's 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; or</p> <p>b) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. 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); or</p> <p>c) Borne by only those 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.</p> <p>Note: Option (b) or (c) could be a potential Alternative Modification.</p> <p>Please state preference.</p>	<p>Please state preference:</p> <p>Option c)</p> <p>Rationale:</p> <p>Option c) is most appropriate in that these are the only parties which have anything to gain from the introduction of BETTA.</p> <p>Option b) would impact disproportionately on BSC parties with a relatively low volume of trading activity. This is not a fair cost and will do nothing to promote competition.</p>
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¹ 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.

Please give reasons for any answer you give, and state how that preference better facilitates the achievement of the Applicable BSC Objectives.

<p>4. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.</p> <p>Do you believe this reporting is adequate?</p> <p>Please give reasons for your answer.</p>	<p>Yes/No: Yes</p>	<p>Rationale: Yes with the proviso that reports must include a full break down of the scope of work with budgeted, total to date and projected final costs reported for each area of work on a monthly basis.</p>
<p>5. In relation to P108, are there any other options you wish the GSMG to consider?</p> <p>If yes, please describe them.</p>	<p>Yes/No: No</p>	<p>Description:</p>
<p>6. Do you have any further comments on P108 that you wish to make?</p>	<p>No</p>	

P108_ASS_002 – Centrica

Respondent:	British Gas Trading Ltd
Responding on Behalf of	All Centrica BSC Parties
Role of Respondent	BSC Party

Question	Response
<p>1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>(Note that an additional Applicable BSC Objective, (e), was added on 30 October 2002 – see cover document accompanying this Pro-Forma for details.)</p>	<p>Yes</p> <p>Rationale: Implementation of the proposed modification will allow BSCCo to begin the work necessary in preparation for BETTA and thus will achieve Objective e).</p>
<p>2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not carry be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has considered what an appropriate break point might be, and wishes to consult on three options:</p> <p>d) 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; or</p> <p>e) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or</p> <p>f) There should be no defined end point to the authorisation given to BSCCo.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give.</p>	<p>Please state preference:</p> <p>C) We do not support sunset clauses within the BSC. They are not an efficient way of maintaining the BSC, particularly as the implementation dates for large projects such as BETTA are subject to change. In our opinion any changes to the BSC that are necessary should be dealt with through the modification process. Therefore we support option c).</p>

<p>4. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote² for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:</p> <p>d) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's 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; or</p> <p>e) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. 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); or</p> <p>f) Borne by only those 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.</p> <p>Note: Option (b) or (c) could be a potential Alternative Modification.</p> <p>Please state preference.</p>	<p>Please state preference:</p> <p>A) Whilst we believe the initial costs of funding BETTA should be fairly distributed between all market participants we recognise the difficulties associated with this approach. We therefore support funding of initial BETTA costs under existing processes within Section D of the BSC. However, we strongly believe that the issue of cost allocation and recovery for BETTA needs to be urgently addressed and look forward to the forthcoming Ofgem consultation on this issue.</p>
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² 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.

<p>Please give reasons for any answer you give, and state how that preference better facilitates the achievement of the Applicable BSC Objectives.</p>		
<p>7. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.</p> <p>Do you believe this reporting is adequate?</p> <p>Please give reasons for your answer.</p>	<p>Yes</p>	<p>We support the recommendations by the modification group with regard to reporting of BETTA costs.</p>
<p>8. In relation to P108, are there any other options you wish the GSMG to consider?</p> <p>If yes, please describe them.</p>	<p>No</p>	<p>Description:</p>
<p>9. Do you have any further comments on P108 that you wish to make?</p>	<p>No</p>	

P108_ASS_003 – EdF Trading & EdF Generation

Respondent:	Name Steve Drummond
Responding on Behalf of	Please list all parties responding on behalf of (including the respondent company if relevant). EdF Trading Ltd and EdF (Generation)
Role of Respondent	(BSC Party/Other – please state) EdF Trading Ltd and EdF (Generation) are both BSC Parties

Question	Response
<p>1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>(Note that an additional Applicable BSC Objective, (e), was added on 30 October 2002 – see cover document accompanying this Pro-Forma for details.)</p>	<p>Yes</p> <p>Rationale: Yes, especially as the Objective has been written for this purpose, but it does assume that Elxon and NGC will have the necessary resources to undertake the identified tasks. If they don't and/or the costs are not carefully controlled then the Objective will not be satisfied.</p>
<p>2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not carry be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has considered what an appropriate break point might be, and wishes to consult on three options:</p> <p>g) 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; or</p> <p>h) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or</p> <p>i) There should be no defined end point to the authorisation given to BSCCo.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give.</p>	<p>Please state preference: (If option (a) – the fixed date – is your preferred option, please suggest a particular date.)</p> <p>Option (b) is preferred.</p> <p>Rationale: This allows reasonable flexibility should slippage occur, which seems highly likely even if BETTA does proceed.</p>

<p>5. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote³ for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:</p> <p>g) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's 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; or</p> <p>h) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. 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); or</p> <p>i) Borne by only those 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.</p> <p>Note: Option (b) or (c) could be a potential Alternative Modification.</p> <p>Please state preference.</p>	<p>Please state preference:</p> <p>Our preference would be Option (c).</p> <p>Rationale: The overall benefits of BETTA are very ill-defined, especially for the E&W parties, but for the Scottish market as well. It is possible that Scottish customers will benefit from cheaper electricity, as perhaps will a few large generators South of the border, but this is far from clear.</p> <p>It therefore seems right that the introduction of NETA into Scotland should be borne primarily by the parties trading in Scotland. This then mirrors the fact that it was the E&W parties, which bore the brunt of NETA. SP and S&SE did and are still paying for NETA in proportion to their trading volumes over the interconnector and so perhaps some offsetting arrangement should be put in place that recognises this.</p> <p>This needs to be determined urgently, as does the eventual cost recovery. Our preference would be for both to be known prior to this Modification being approved.</p>
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³ 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.

<p>Please give reasons for any answer you give, and state how that preference better facilitates the achievement of the Applicable BSC Objectives.</p>		
<p>10. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.</p> <p>Do you believe this reporting is adequate?</p> <p>Please give reasons for your answer.</p>	<p>Yes</p>	<p>Rationale: The information suggested seems adequate for questions to be raised should the need arise.</p>
<p>11. In relation to P108, are there any other options you wish the GSMG to consider?</p> <p>If yes, please describe them.</p>	<p>No</p>	<p>Description:</p>
<p>12. Do you have any further comments on P108 that you wish to make?</p>	<p>No</p>	

P108_ASS_004 – Powergen

Respondent:	Name Christiane Sykes
Responding on Behalf of	Powergen UK plc, Powergen Retail Limited, Diamond Power Generation Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy Limited
Role of Respondent	Generator and supplier

Question	Response
<p>1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>(Note that an additional Applicable BSC Objective, (e), was added on 30 October 2002 – see cover document accompanying this Pro-Forma for details.)</p>	<p>Yes:</p> <p>Rationale: We feel the proposed modification applies specifically to BSC objective C and E. BETTA further promotes competition in the generation and supply of electricity across a unified GB market. Without such a proposal, Elexon would be prevented from undertaking BETTA development work, delaying the anticipated realisation of the associated benefits. However, it is important to make the distinction here that this point only applies in the event of BETTA going ahead. If this were not to be the case, and BETTA was not implemented, competition might be undermined as many of the BSC parties, operating solely in England and Wales would have to front the associated costs, impeding upon their ability to successfully compete. This solution to this problem is explained under Question 3 of this pro-forma.</p>
<p>2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not carry be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has considered what an appropriate break point might be, and wishes to consult on three options:</p> <p>j) A fixed date, for example 31 March 2005 (one year beyond the current planned</p>	<p>Please state preference: (If option (a) – the fixed date – is your preferred option, please suggest a particular date.)</p> <p>Option (a)</p> <p>Rationale: A fixed date of 31 March 2005 seems to be the most appropriate solution. By setting a fixed date one year after the proposed implementation of BETTA,</p>

<p>BETTA implementation date to allow for slippage in the BETTA timetable), beyond which the authorisation to BSCCo to undertake work on BETTA would cease; or</p> <p>k) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or</p> <p>l) There should be no defined end point to the authorisation given to BSCCo.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give.</p>	<p>time and costs should be kept to a minimum. No unnecessary burden would then need to be spent on proposing a new modification, which would need to be written after the implementation of BETTA, to prevent the BSCCo from carrying out any further work relating to BETTA.</p> <p>The option of no defined end point to the authorisation given to the BSCCo is not desirable. Although, as a matter of expediency, it is appropriate for Elexon to carry out BETTA development work in the short-term; leaving their authority completely open-ended might lead to questions as to why the work had not been subject to competitive tender.</p>
<p>6. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote⁴ for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:</p> <p>j) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's 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; or</p> <p>k) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost</p>	<p>Please state preference:</p> <p>Option (c) provides the best solution for initial BETTA funding.</p> <p>Rationale:</p> <p>As explained under Question 1, In the event that BETTA is not implemented, competition would be undermined as many of the BSC parties, operating solely in England and Wales would have to front the associated costs, impeding upon their ability to successfully compete. The first option given in this pro-forma would not serve to protect companies in England and Wales from the occurrence of cross-subsidisation to those companies operating in the Scottish market, for whose customers, BETTA is designed to benefit.</p> <p>By providing a more fair and transparent BETTA budget, based on option (c), BSC parties will be enabled to both monitor costs and be confident that Elexon activities relevant to the England and Wales market are not cross-subsidising BETTA work. This</p>

⁴ 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.

<p>route. 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); or</p> <p>l) Borne by only those 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.</p> <p>Note: Option (b) or (c) could be a potential Alternative Modification.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give, and state how that preference better facilitates the achievement of the Applicable BSC Objectives.</p>	<p>improved management should help to promote efficiency in the administration of the balancing and settlement code, and so also achieve the applicable BSC objective (d).</p> <p>The information required to obtain a 'snapshot' of the Scottish electricity supply market might be acquired from SESL, and requested by Ofgem, in the interests of overall transparency of the UK market, as a whole. The current lack of transparency of market data, under the Settlement Agreement for Scotland (SAS) is in marked contrast to arrangements in England and Wales, where participants' market shares can easily be derived.</p> <p>At the first P108 modification meeting, SESL made it clear that they would not be prepared to make available data on the Scottish electricity supply market share. Given such a firm statement, without suitable pressure from Ofgem, it seems unlikely that SESL will be forthcoming with such information. Powergen have explored other sources of market data.</p> <p>Datamonitor publish data for the whole of the GB market but unfortunately do not gather data specifically for the Scottish market. Nevertheless, using a variety of sources, including information from Ofgem's BETTA web pages, Scottish Power's 'Seven Year Statement', Scottish Executive Statistics on electricity consumption in Scotland and data from a recent GfK domestic market survey we have been able to determine reasonable estimates of the Scottish electricity supply market shares. See fig.1 below for table showing Powergen's estimates of example funding shares.</p> <p>In the absence of information from SESL, we suggest that the BSC Panel should set the funding shares based on market share data, obtained from BSC parties (or their sister or parent companies) that operate in Scotland. It would be mandatory for such BSC parties to provide such data to Elexon.</p>	
<p>13. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to</p>	<p>Yes:</p>	<p>Rationale:</p> <p>The proposed reporting method seems to be the best option available to report associated BETTA costs. A report detailing a scope of work is of particular</p>

<p>ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.</p> <p>Do you believe this reporting is adequate?</p> <p>Please give reasons for your answer.</p>		<p>importance to ensure money for England and Wales is not going into BETTA. A distinction needs to be made of the scrutiny of BETTA work to ensure proper allocation of cash, to protect against any cross-subsidy. It should be the Panel's responsibility to monitor this to guarantee transparency. It is important that all parties know exactly what they are paying for.</p>
<p>14. In relation to P108, are there any other options you wish the GSMG to consider?</p> <p>If yes, please describe them.</p>	<p>No:</p>	<p>Description:</p>
<p>15. Do you have any further comments on P108 that you wish to make?</p>	<p>It is disappointing that the industry, with a few notable exemptions, which supports an early implementation of BETTA, is being encouraged to sanction expenditure on Elexon BETTA development work without first having certainty as to who will initially fund this work.</p>	

Funding Elexon BETTA development work
 Estimated Market Shares
 Scottish Electricity Supply Market 2002

	Market Size TWh	Lost Market Share TWh
Annual demand SP Area	25	8.3
Annual demand SSE Area	8	2.9
	33	11.2

Source of data Ofgem BETTA webpages - Tier 2 volumes
 Scottish Power 2001 Transmission Seven Year Statement
 Scottish Executive - electricity consumption data for Scotland 2001 & 2002.
 Some recent Scottish statistics DTI Directory of UK Energy Statistics.

Example Funding Shares - Powergen's estimates

(More reliable data could be obtained from SESL or using data supplied to Ofgem.)

	Share TWh	Share %	Suggested BSC Party to which funding share is applied.
Scottish Power	19.0	57.6	Scottish Power UK plc
Scottish and Southern Energy	7.0	21.2	SSE Energy Supply Limited
Powergen	0.8	2.4	Powergen UK plc
TXU/Energi	0.8	2.4	Powergen UK plc
Edf/London/Seeboard	0.3	0.9	Edf Trading Limited
Centrica	4.0	12.1	British Gas Trading Limited
British Energy	0.5	1.5	British Energy Power and EnergyTrading
Innogy	0.5	1.5	Innogy
Other	0.1	0.3	Ignore
	33.0	100.0	

Sources include GfK Market Survey for Scottish electricity domestic market (July 2002).
 Suggest ignoring anyone under 0.5% share and scale up the remainder accordingly

BSC Panel could set shares following a request for data from relevant BSC
 Parties (or sister or parent companies operate) who operate in Scotland.
 Mod 108 could mandate such parties to provide such data.

P108_ASS_005 – Aquila Networks

Please find that Aquila Networks Plc response to P108 Assessment Consultation is 'No Comment'.

regards

Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

P108_ASS_006 – LE Group

Respondent:	Liz Anderson
Responding on Behalf of	London Electricity Plc, Jade Power Generation Ltd, Sutton Bridge Power, West Burton Ltd.
Role of Respondent	BSC Party

Question	Response
<p>1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>(Note that an additional Applicable BSC Objective, (e), was added on 30 October 2002 – see cover document accompanying this Pro-Forma for details.)</p>	<p>Yes</p> <p>Provided that adequate measures are developed to ensure that costs and resources are carefully controlled. BSCCo involvement in the development of BETTA must not impact on the efficiency of the BSCCo performing its normal functions. In particular any delays in the BETTA timescales should not be allowed to impose increased costs or resource requirements on the BSCCo.</p> <p>We believe that the wider issue of the costs and funding of the BETTA project is one which must be addressed immediately. We do not believe that this proposed modification should be implemented before the debate on cost recovery has been concluded outside the BSC. To do so would, in our opinion, be detrimental to the achievement of BSC Objective (c): Promoting effective competition in the generation and supply of electricity.</p>
<p>2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not carry be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has</p>	<p>Please state preference: (If option (a) – the fixed date – is your preferred option, please suggest a particular date.)</p> <p>Option (b)</p>

<p>considered what an appropriate break point might be, and wishes to consult on three options:</p> <p>m) 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; or</p> <p>n) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or</p> <p>o) There should be no defined end point to the authorisation given to BSCCo.</p> <p>Please state preference. Please give reasons for any answer you give.</p>	<p>Rationale:</p> <p>We believe that this modification should be linked to the BSC Objective (e) and should cease to have effect when the associated BSC Objective (e) ceases to be in force.</p> <p>However, we suggest that the BSCCo should give due consideration to the ongoing status of the BETTA project and any other relevant industry developments when approving any costs. Any BETTA related work should be halted immediately in the event that there is any doubt over the viability of the BETTA project.</p>
<p>7. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote⁵ for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:</p> <p>m) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's 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</p>	<p>Please state preference:</p> <p>Option (c)</p> <p>Rationale:</p> <p>We believe that Option (c) better achieves BSC Objective (c) in that those BSC Parties who have a direct stake in the Scottish market and the benefits of BETTA will bear the initial costs of funding BETTA development.</p>

⁵ 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.

<p>P108 Modification Proposal; or</p> <p>n) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. 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); or</p> <p>o) Borne by only those 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.</p> <p>Note: Option (b) or (c) could be a potential Alternative Modification.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give, and state how that preference better facilitates the achievement of the Applicable BSC Objectives.</p>		
<p>16. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.</p>	<p>Yes</p>	<p>Rationale:</p> <p>We believe that the costs and resources associated with any work done on the development of BETTA should be fully transparent to the BSCCo stakeholders. The proposed use of existing Elexon reporting processes meets this requirement.</p>

<p>Do you believe this reporting is adequate? Please give reasons for your answer.</p>		
<p>17. In relation to P108, are there any other options you wish the GSMG to consider? If yes, please describe them.</p>	<p>No</p>	<p>Description:</p>
<p>18. Do you have any further comments on P108 that you wish to make?</p>	<p>We do not support the view, given at the BSC Panel meeting on 14 November 2002, that the issue of the eventual recovery of BSCCo costs associated with the development of systems and processes for BETTA is ultra vires. We believe that the eventual recovery of these costs is directly relevant to the achievement of BSC Applicable objective (c): Promoting effective competition in the generation and supply of electricity. If this issue is to be dealt with outside of the BSC then it must be concluded before this modification is implemented.</p>	

P108_ASS_007 – NGC

Respondent:	<i>Nigel Brooks</i>
Responding on Behalf of	<i>National Grid Company</i>
Role of Respondent	<i>Transmission Company</i>

Question	Response
<p>1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>(Note that an additional Applicable BSC Objective, (e), was added on 30 October 2002 – see cover document accompanying this Pro-Forma for details.)</p>	<p>Yes</p> <p>Rationale:</p> <p>This BSC Modification (P108) facilitates the achievement of the new objective.</p>
<p>2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not carry be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has considered what an appropriate break point might be, and wishes to consult on three options:</p> <p>p) 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; or</p> <p>q) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or</p> <p>r) There should be no defined end point to the authorisation given to BSCCo.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give.</p>	<p>Please state preference:</p> <p>option (c)</p> <p>Rationale:</p> <p>Option (c) provides most flexibility. Once the work permitted by P108 is complete a further modification could be raised seeking to remove the provisions of P108 if this is necessary to tidy up the Code.</p>

<p>8. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote⁶ for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:</p> <p>p) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's 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; or</p> <p>q) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. 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); or</p> <p>r) Borne by only those 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.</p> <p>Note: Option (b) or (c) could be a potential Alternative Modification.</p> <p>Please state preference.</p>	<p>Please state preference:</p> <p>Option (a)</p> <p>Rationale:</p> <p>Option (a) is consistent with the existing provisions for allocation of BSCCo Costs in Section D.</p>
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⁶ 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.

<p>Please give reasons for any answer you give, and state how that preference better facilitates the achievement of the Applicable BSC Objectives.</p>		
<p>19. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.</p> <p>Do you believe this reporting is adequate?</p> <p>Please give reasons for your answer.</p>	<p>Yes</p>	<p>Rationale:</p>
<p>20. In relation to P108, are there any other options you wish the GSMG to consider?</p> <p>If yes, please describe them.</p>	<p>No</p>	<p>Description:</p>
<p>21. Do you have any further comments on P108 that you wish to make?</p>	<p>No</p>	

P108_ASS_008 – Innogy

Respondent:	<i>Name</i> Terry Ballard
Responding on Behalf of	<i>Please list all parties responding on behalf of (including the respondent company if relevant).</i> Innogy, Innogy Cogen Ltd, Innogy Cogen Trading Ltd, npower Direct Ltd, npower Ltd, npower Northern Ltd, npower Northern Supply Ltd, npower Yorkshire Ltd, npower Yorkshire Supply Ltd
Role of Respondent	<i>(BSC Party/Other – please state)</i> BSC Party

Question	Response
<p>1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>(Note that an additional Applicable BSC Objective, (e), was added on 30 October 2002 – see cover document accompanying this Pro-Forma for details.)</p>	<p>Yes/No: Yes</p> <p>Rationale: It will better achieve new objective (e)</p>
<p>2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not carry be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has considered what an appropriate break point might be, and wishes to consult on three options:</p> <p>s) 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; or</p> <p>t) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or</p> <p>u) There should be no defined end point to the authorisation given to BSCCo.</p> <p>Please state preference.</p>	<p>Please state preference: (If option (a) – the fixed date – is your preferred option, please suggest a particular date.)</p> <p>Rationale: Our preference is for a fixed date of 01/04/2004, the target date for the introduction of BETTA. The issues associated with a GB BSC and the ultimate reallocation of costs should have been addressed significantly in advance of this date.</p>

<p>Please give reasons for any answer you give.</p>	
<p>9. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote⁷ for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:</p> <p>s) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's 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; or</p> <p>t) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. 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); or</p> <p>u) Borne by only those 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.</p> <p>Note: Option (b) or (c) could be a potential Alternative Modification.</p>	<p>Please state preference:</p> <p>a)</p> <p>Rationale:</p> <p>The existing BSC funding arrangements are the simplest approach. They are already understood by market participants.</p> <p>We do however have two concerns:</p> <p>Firstly, a number of parties will share in the benefits of BETTA but will not contribute under the present arrangements. This should be addressed ultimately.</p> <p>Secondly, In the event that BETTA is not implemented, under this method of cost apportionment, NETA market participants will be left with unrecoverable costs. This would not appear to fulfil BSC objectives.</p>

⁷ 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.

<p>Please state preference.</p> <p>Please give reasons for any answer you give, and state how that preference better facilitates the achievement of the Applicable BSC Objectives.</p>		
<p>22. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.</p> <p>Do you believe this reporting is adequate?</p> <p>Please give reasons for your answer.</p>	<p>Yes/No:</p> <p>Yes</p>	<p>Rationale:</p>
<p>23. In relation to P108, are there any other options you wish the GSMG to consider?</p> <p>If yes, please describe them.</p>	<p>Yes/No</p> <p>No:</p>	<p>Description:</p>
<p>24. Do you have any further comments on P108 that you wish to make?</p>	<p>No</p>	

P108_ASS_009 – British Energy

Respondent:	Rachel Ace
Responding on Behalf of	British Energy Generation; British Energy Power and Energy Trading; Eggborough Power Ltd
Role of Respondent	BSC Party

Question	Response				
<p>1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>(Note that an additional Applicable BSC Objective, (e), was added on 30 October 2002 – see cover document accompanying this Pro-Forma for details.)</p>	<table border="1"> <tr> <td>Yes/No:</td> <td>Rationale:</td> </tr> <tr> <td>Yes</td> <td></td> </tr> </table>	Yes/No:	Rationale:	Yes	
Yes/No:	Rationale:				
Yes					
<p>2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not carry be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has considered what an appropriate break point might be, and wishes to consult on three options:</p> <p>v) 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; or</p> <p>w) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or</p> <p>x) There should be no defined end point to the authorisation given to BSCCo.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give.</p>	<p>Please state preference: (If option (a) – the fixed date – is your preferred option, please suggest a particular date.)</p> <p><i>Preferred option is a mix of options (a) and (b) to provide both clarity and flexibility</i></p> <p>Rationale: <i>British Energy supports the concept of a 'break point.'</i> <i>However it is unclear at present on what basis the additional NGT Transmission Licence condition relating to the facilitation of BETTA and a GB BSC would cease.</i> <i>Combining options (a) and (b) provides for a fixed, back stop date of 31st March 2005 (which is seen as a prudent estimation for a potential overrun to BETTA implementation) with the potential for an earlier completion date should a further appropriate transmission licence modification be approved. Should any slippage beyond the 31st March 2005 date occur, a further BSC modification can be raised to address nearer the time.</i></p>				

<p>10. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote⁸ for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:</p> <p>v) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's 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; or</p> <p>w) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. 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); or</p> <p>x) Borne by only those 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.</p> <p>Note: Option (b) or (c) could be a potential Alternative Modification.</p> <p>Please state preference.</p>	<p>Please state preference:</p> <p><i>Option (b)</i></p> <p>Rationale:</p> <p><i>British Energy believes that the funding arrangements for BETTA should have maximum transparency. We also believe that BETTA arrangements are for the benefit of all parties within GB and that all BSC signatories should therefore contribute as per the model (b).</i></p> <p><i>Option (c) is seen as clearly discriminatory.</i></p> <p><i>For initial funding (i.e. to the point of implementation) it is appropriate that all BSC Parties are reflected in the cost base, but to apportion costs on either an E&W market basis or with "interests in the Scottish electricity market" are flawed.</i></p> <p><i>A rationale for funding recovery should also reflect the potential for an increase/decrease of BSC Parties during the initial funding period.</i></p> <p><i>We believe option (b) better facilitates achievement of Applicable BSC Objectives (d) and (e)</i></p>
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⁸ 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.

<p>Please give reasons for any answer you give, and state how that preference better facilitates the achievement of the Applicable BSC Objectives.</p>		
<p>25. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.</p> <p>Do you believe this reporting is adequate?</p> <p>Please give reasons for your answer.</p>	<p>Yes/No:</p> <p>Yes</p>	<p>Rationale:</p> <p><i>Wherever possible, and in the interests of efficiency, British Energy support the use of existing reporting facilities as this is clearly the most cost effective method.</i></p> <p><i>However, due consideration should be made to ensuring that BETTA costs are reported on an open and transparent basis. This should be clearly reported on a 'project' basis with defined packages/milestones and we would concur that budget v. incurred costs against such packages is one such method.</i></p> <p><i>Whether and to what extent this reporting is 'adequate' can probably only be answered in time, and it would be prudent not to be too prescriptive in the extent of defining reports at too early a stage.</i></p>
<p>26. In relation to P108, are there any other options you wish the GSMG to consider?</p> <p>If yes, please describe them.</p>	<p>Yes/No:</p> <p>No</p>	<p>Description:</p>
<p>27. Do you have any further comments on P108 that you wish to make?</p>	<p><i>With respect to Costs and Funding section in the consultation document, we note the reference to discussion about non-implementation of BETTA. It is therefore entirely appropriate that the project should identify the scope and extent of all costs likely to be sunk and therefore passed on to BSC Parties should such an eventuality occur.</i></p>	

P108_ASS_010 – Scottish Power

Respondent:	Man Kwong Liu
Responding on Behalf of	<i>Please list all parties responding on behalf of (including the respondent company if relevant).</i> Scottish Power plc; ScottishPower Energy Trading Ltd.; Scottish Power Generation plc.; ScottishPower Energy Retail Ltd.; SP Transmission plc; SP Manweb plc
Role of Respondent	<i>(BSC Party/Other – please state)</i> BSC Party

Question	Response
<p>1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>(Note that an additional Applicable BSC Objective, (e), was added on 30 October 2002 – see cover document accompanying this Pro-Forma for details.)</p>	<p>Yes</p> <p>Rationale: P108 is consistent with the amendment to NGC's licence and has been quite specifically tailored to meet the additional Applicable BSC Objective C3 3 (e) and so it clearly meets that Objective, subject to the resolution of certain issues referred to in the other consultation questions. While we recognise that Elexon is well-placed to facilitate the development of a GB BSC, we are however concerned that Elexon's role in undertaking work on BETTA may detract from its duties and obligations under the E&W BSC and be detrimental to the efficient implementation and administration of the balancing and settlement arrangements (Applicable Objective (d)). There needs to be some assurance, through adequate monitoring and reporting that Elexon's resources are not being overstretched in this regard. We would hope that the E&W BSC Panel is rigorous in ensuring that Elexon meets its primary duties, particularly when considering Elexon's Business Strategy for the coming years.</p>
<p>2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has considered what an appropriate break point might be, and wishes to consult on three options:</p> <p>y) A fixed date, for example 31 March 2005</p>	<p>Please state preference:</p> <p>(If option (a) – the fixed date – is your preferred option, please suggest a particular date.)</p> <p>Option (b), but see comments below.</p> <p>Rationale: In considering an appropriate end date for Elexon's involvement in BETTA work, we bear in mind that, despite assurances from DTI that BETTA remains on course for implementation on 1 April 2004, there is a degree of uncertainty about whether</p>

<p>(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; or</p> <p>z) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or</p> <p>aa) There should be no defined end point to the authorisation given to BSCCo.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give.</p>	<p>this is an achievable timescale. There has already been considerable slippage in the consultation timetable, meaning that the future shape of BETTA is as yet unknown. The primary legislation required to enable BETTA is still subject to the availability of sufficient Parliamentary time. At this point, it is not possible for the industry to determine the required period for implementation of new systems and processes to comply with BETTA. In view of these uncertainties, we find it difficult to support any of the proposed options. A fixed date would require further modification if the date chosen (if it was possible to fix such a date with any certainty in the first place) became unrealistic. Similarly, we feel uncomfortable with an open-ended commitment to allow Elexon to work on BETTA and so would be reluctant to have no sunset clause in respect of this work. We would, therefore, suggest that it may be appropriate for authorisation of BETTA work to cease on the date that BETTA goes live, or once the relevant Licence Condition had ceased to have force (option (b)), whichever is earlier. In the former case, any transition from E&W BSCCo to GB BSCCo would be complete at that date and the duties of the former in respect of BETTA work would lapse. In the latter case, if BETTA were not to proceed, the relevant Licence Condition would require to be removed from the NGC Licence in any case.</p>
<p>11. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote⁹ for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:</p> <p>y) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's costs through</p>	<p>Please state preference: Option (a).</p> <p>Rationale: The first point to note regarding this question is that it relates to initial funding costs for BETTA work. It does not, and cannot, be considered to have an impact on the eventual cost recovery for BETTA work, which has been stated to be the subject of future consultation by OFGEM. To suggest that any decisions on initial funding somehow bind those affected in terms of eventual cost recovery would be incorrect and a pre-emption of OFGEM's future consultation (which we have been assured will</p>

⁹ 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.

<p>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; or</p> <p>z) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. 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); or</p> <p>aa) Borne by only those 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.</p> <p>Note: Option (b) or (c) could be a potential Alternative Modification.</p> <p>Please state preference.</p> <p>Please give reasons for any answer you give, and state how that preference better facilitates the achievement of the Applicable BSC Objectives.</p>	<p>be forthcoming shortly).</p> <p>Secondly, with regard to the options presented for initial funding costs, we would note that there are many clear Authority decisions to support the view that approved BSC modifications should be paid for by all BSC Parties. Only in very rare instances would there be any targeting of costs of a modification differently. The recent Authority decision on P91 discussed this issue. It made clear that exceptional circumstances requiring the targeting of costs on 'relevant persons' would be where those 'relevant persons' had requested the procurement from Elexon of a 'relevant service' defined as "a service not provided to Parties or Trading Parties on a routine basis pursuant to" the BSC.</p> <p>BETTA is a project being driven by DTI/OFGEM to provide a competitive wholesale electricity market to Great Britain for the benefit of GB consumers. It has not been requested as a non-routine 'relevant service' by any BSC Party nor indeed any Trading Party but is a governmental/regulatory initiative. It does not fall within the Authority's criterion for a circumstance where all BSC Parties should not bear the cost and, therefore, it is logical that the only option for initial funding costs for BETTA which applies is option (a).</p> <p>We do not believe that either of the other options is either appropriate or meets the Authority's criterion.</p> <p>In respect of option (c) in particular, this meets neither Applicable BSC Objective c) (promoting effective competition in generation and supply) nor Applicable BSC Objective d) (promoting efficiency in the trading arrangements). In the former case, it cannot promote competition to oblige only a subset of BSC Parties (those trading in Scotland) to pay for a proposal whose eventual benefits are intended to be spread across all GB market participants. In the latter case, there is already a clear funding arrangement in place (general funding shares) to allocate initial costs. Any new mechanism (assuming it was actually both appropriate and reliable) would, by its very nature, require additional costs to be incurred in order for it to be put in place.</p> <p>It should be remembered that the purpose of BETTA</p>
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	<p>is "to introduce wholesale electricity trading and transmission arrangements for <u>GB</u> which enable competitive markets to develop further"(Ref: Ofgem/DTI Conclusions Document on the Development of BETTA, May 2002, Page 1 Summary). Consultation on BETTA will determine the shape of these GB trading arrangements. It is very possible that BETTA will look quite different from NETA. There is recognition that there are features of the Scottish wholesale arrangements which are different from the E&W arrangements, and that the creation of a GB-wide market requires separate and differential consideration. In addition, DTI has made clear that the beneficiaries of GB-wide trading will be those located in (as consumers), and trading in, GB, not just in a particular geographical region of GB.</p>	
<p>28. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.</p> <p>Do you believe this reporting is adequate?</p> <p>Please give reasons for your answer.</p>	<p>Yes</p>	<p>Rationale: We would agree that the reporting format outlined is appropriate as a basic minimum requirement to ensure that Elexon are informing market participants about the work which is being done, while at the same time minimising any additional cost to BSC Parties. Clear reporting, perhaps by work package approved by OFGEM, would help to clarify cost allocation even better.</p> <p>We do have concerns about the extent to which the industry will be able to not just receive factual reporting of BETTA costs, but also be able to scrutinise those costs and understand the reasons behind the numbers. The suggestion in P108 is that the E&W BSCCo Board can undertake this role. Our preference would be for a stronger element of control to prevent any nugatory work being undertaken. The possibility of this occurring would be of concern to all BSC Parties. However, there is an absence of an effective body to undertake such scrutiny and the E&W Panel does not have the vires to act in this instance.</p> <p>In view of this, we agree that the E&W BSCCo Board should undertake the role of monitoring BETTA costs. A good</p>

		initial step would be for Elexon to provide some details in the very near future of proposed work packages which it will submit to the Authority for approval.
29. In relation to P108, are there any other options you wish the GSMG to consider? If yes, please describe them.	No	Description:
30. Do you have any further comments on P108 that you wish to make?	No	

P108_ASS_011 – Scottish and Southern

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

In relation to the consultation on Modification Proposal P108, contained in your note of 19th November 2002, and the six questions posed, our comments are as follows:-

Q1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives?

A Given the BSC's new Objective (e), we agree that P108 as currently drafted does better facilitate the achievement of the objectives of the BSC.

Q2. P108 proposes that an appropriate break point be identified beyond which BSCCo should not carry be permitted to carry out any BETTA work. The Governance Standing Modification Group (GSMG) has considered what an appropriate break point might be, and wishes to consult on three options:

a) 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; or

b) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence ceased to have force; or

c) There should be no defined end point to the authorisation given to BSCCo.

A Given that BSCCo should only be working on something in order to achieve, or better achieve, the BSC objectives then option (b) seems the only possible answer to this question. Once the BSC Objective (e) ceases to have force (be that the 31st March 2005 or any other date) then BSCCo should no longer be working on the matter in question.

Q3. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote 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. It was determined at the BSC Panel meeting on 14 November that in any consideration of P108, BETTA cost recovery was ultra vires, i.e. that only initial funding could be considered in relation to this Modification Proposal. It is understood that BETTA cost recovery will be the subject of a separate consultation by Ofgem.. for explanation of the distinction between initial funding and eventual cost recovery). The GSMG wishes to consult on three options for initial funding:

a) Funding of the BSCCo's BETTA costs under existing processes as part of BSC Costs under Section D of the BSC, (i.e. after funding BSCCo's 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; or

b) Charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. 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); or

c) Borne by only those 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.

A We believe that option (a) is the most appropriate approach to funding. For the avoidance of doubt, we believe that option (c) should not be used. We would like to bring to the attention of the GSMG, the BSC Panel and the Authority the following observations in respect of option (c):-

i) Not all parties serving the Scottish electricity supply market will be parties to BSC. Accordingly we are unclear as to how the BSC can vote for the application of charges to another distinct market's participants?

ii) Given (i) it is not clear how the BSC has any contractual route to charge a party who is operating in Scotland but not England and Wales?

iii) In addition, non-trading parties, i.e. BNFL and BE; do not trade explicitly through the GA system, does that mean that neither they nor those in (ii) above will not be targeted, yet they will be significant "beneficiaries" of BETTA..?

iv) We note the title of this Modification Proposal is related to preparing for the implementation of "British Electricity Trading and Transmission Arrangements", rather than "Scottish Electricity Trading and Transmission Arrangements". Clearly changes being considered by BSCCo relate to England, Wales and Scotland and it is appropriate that all parties pay for it.

v) The ultimate funding and actual cost allocation related to BETTA will be subject to separate consultation as part of the BETTA process.

Furthermore we note the high level comments, that Ofgem has made in respect of BETTA, indicating that it is anticipated that the principle impact of BETTA will be to improve competition in the wholesale trading of electricity across GB, to the benefit of GB consumers as a whole. In addition to this it is noted by Ofgem, for market participants in England and Wales, that there will a significant change in scope as electricity trading moves to a GB marketplace.

In conclusion we suggest that the BETTA costs should be reallocated

proportionally across all GB participants as it is argued that all will benefit from opening up the market.

Q4. The GSMG has discussed the reporting of BETTA related work and costs by BSCCo to BSC Parties and has agreed that existing reporting processes should be utilised, namely through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto). Other than on the invoices, reports could include a description of the scope of work and budget and incurred costs.

Do you believe this reporting is adequate?

A Yes.

Q5. In relation to P108, are there any other options you wish the GSMG to consider?

A None at this time.

Q6. Do you have any further comments on P108 that you wish to make?

A Nothing further at this time.

Regards

Garth Graham
Scottish & Southern Energy plc