



DECEMBER 2002

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

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

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### b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	energywatch
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### c References

Ref.	Title	Owner	Issue date	Version
1	Modification Proposal P108	British Gas Trading Limited	01/11/02	1.0
2	Initial Written Assessment for P108	ELEXON	08/11/02	1.0
3	P108 Consultation Document	ELEXON	19/11/02	1.0

Copies of the above documents can be found on the ELEXON website at [www.elexon.co.uk](http://www.elexon.co.uk)

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## **1 SUMMARY AND RECOMMENDATIONS**

### **1.1 Recommendations**

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal P108 during the Assessment Phase, the Governance Standing Modification Group (GSMG) recommends that the Balancing and Settlement Code Panel ('the Panel') should:

- a) NOTE the P108 Assessment Report and the recommendations of the Governance Standing Modification Group;**
- b) ENDORSE the recommendation of the Governance Standing Modification Group and proceed to the Report Phase in accordance with Section F2.7 of the Code;**
- c) AGREE that the draft Modification Report contain a provisional recommendation that the Modification should be made with an Implementation Date of 2 Working Days after the Authority decision; and**
- d) AGREE that the draft Modification Report be issued for consultation and submitted to the BSC Panel Meeting on 16 January 2003.**

### **1.2 Background**

British Gas Trading Limited submitted P108 'Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)' (reference 1) on 1 November 2002.

P108 seeks to authorise BSCCo to provide or procure assistance to the Authority in connection with the development of BETTA. The Proposer suggests that BSCCo must contribute to BETTA implementation to increase assurance that the target BETTA implementation date of April 2004 will be met.

The Initial Written Assessment (reference 2) was submitted to the Panel meeting on 14 November 2002, where it was agreed to submit P108 to a one-month Assessment Procedure (in accordance with section F2.6 of the Code) to be carried out by the Governance Standing Modification Group (GSMG).

Details of the consultation and assessment undertaken during the Assessment Procedure can be found in the following sections of this report:

- Section 4 provides a description of P108, the issues discussed by the GSMG (including its deliberations on the consultation responses), and defines the extent to which the proposal would better facilitate the achievement of the Applicable BSC Objectives.
- Sections 5 to 7 assess the impact of P108 on the Balancing and Settlement Code, ELEXON and BSC Parties.
- Section 8 summarises the representations made by industry participants to the consultation undertaken during the Assessment Procedure.
- Section 9 notes the Transmission Company analysis.

### **1.3 Rationale for Recommendations**

The GSMG believes that P108 would enable BSCCo to undertake work on BETTA in the terms set out in the Transmission Licence Condition C3.3. Therefore, the GSMG has concluded that P108 better

facilitates the achievement of the following Applicable BSC Objective set out in Condition C3.3 of the Transmission Licence as follows:

- 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:
  - (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.

Paragraph 3A, referenced by paragraph (e) above states:

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:

- (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.

## 2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('the Code'). 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 Code.

An electronic copy of this document can be found on the BSC website, at [www.elexon.co.uk](http://www.elexon.co.uk).

## 3 MODIFICATION GROUP DETAILS

This Assessment Report has been prepared by the Governance Standing Modification Group. The Membership of the Modification Group was as follows:

Member	Organisation
Gareth Forrester <sup>1</sup>	ELEXON (Chairman)
Liz Anderson	London Electricity
Terry Ballard <sup>1</sup>	Innogy
Nigel Brooks <sup>1</sup>	National Grid Company
Danielle Lane <sup>1</sup>	Centrica (Proposer)
Steve Phillips	British Energy
Abid Sheikh <sup>1</sup>	Scottish Power
Christiane Sykes <sup>1</sup>	Powergen
John Sykes <sup>1</sup>	Scottish and Southern Energy
Richard Humphreys <sup>1</sup>	ELEXON
Melanie Naulls <sup>1</sup>	ELEXON

Steve Wilkin <sup>1</sup>	ELEXON (Lead Analyst)
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<sup>1</sup>Those members who attended one or more meetings of the GSMG when it considered P108.

Additional attendees at one or more of the meetings include:

Attendee	Organisation
Peter Bolitho	Powergen
Ronnie Quinn	Scottish Electricity Settlements Ltd.
Simon Street	Ofgem
Melissa Boag	ELEXON

The Terms of Reference for the GSMG can be found on the BSC website at [www.elexon.co.uk](http://www.elexon.co.uk), and a copy of the specific Terms of Reference is given in Annex 4.

## 4 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

### 4.1 Description of P108

P108 seeks to authorise BSCCo to provide or procure assistance to the Authority in connection with the development of BETTA. The Proposer suggests that BSCCo must contribute to BETTA implementation to increase assurance that the target BETTA implementation date of April 2004 will be met.

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.

## 4.2 The Process Followed

The GSMG met on 15 November 2002 to discuss the issues raised in the Initial Written Assessment (reference 2) and any other issues that the GSMG identified; to consider the instructions for the drafting of legal text; and to agree the consultation process to be followed.

The GSMG met for a second time, on 29 November 2002, to discuss the responses to the consultation (Annex 2) and impact assessments (Annex 3); to determine its recommendations to the BSC Panel in respect of P108 and any potential Alternative Modifications; and to assess the first draft of the legal text.

The following summarises the discussions that took place at both meetings and the conclusions that were reached by the GSMG.

### 4.2.1 Issues considered

The GSMG agreed that the three issues that it needed to consider were as set out below.

- P108 required clarification to determine an appropriate end point to the authorisation given to BSCCo to work on BETTA.
- P108 required clarification to determine precisely how initial funding of BSCCo's BETTA costs would be made. (The GSMG noted the determination made at the BSC Panel meeting on 14 November 2002 that eventual cost recovery was ultra vires).
- The process by which reports would be made to BSC Parties, on the progress and costs of the BETTA work undertaken by BSCCo, needed consideration.

The GSMG, and respondents to the consultation (see Section 8 and Annex 2), did not identify any additional issues that required consideration.

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

### 4.2.2 The Duration of the Authorisation given to BSCCo to undertake work on BETTA

A number of different options were considered. Modification Proposal P108 had suggested, for example, that the authorisation might cease upon the appointment of the Great Britain BSCCo (GB BSCCo). It was noted that the detail of the transition from NETA in England & Wales to BETTA across Great Britain was not yet known. This might mean that, for example, the end point of authorisation might need to be sufficiently flexible to allow a period with both a BSCCo and a GB BSCCo with a



handover between the two parties. In this case, the appointment of the GB BSCCo would not be an appropriate end point for authorisation of the BSCCo to work on BETTA.

The GSMG also noted that in the Ofgem document concluding on changes to the NGC Transmission Licence<sup>1</sup>, paragraph 5.15, the statement that “Ofgem agrees that the licence amendment should remain in force only for the period necessary to give effect to the BETTA proposals.” Therefore, GSMG considered that a link to the new Applicable BSC Objective (e), might deliver an appropriate end point, such that when this Objective (e) ceased to be in force, then the BSCCo authorisation should also cease.

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

At its first meeting, the GSMG decided 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.
- (b) The authorisation given to BSCCo would cease when Applicable BSC Objective (e), recently introduced into the Transmission Licence, ceased to have force.
- (c) There should be no defined end point to the authorisation given to BSCCo.

At its second meeting, the GSMG considered the consultation responses in respect of the duration of any authorisation for BSCCo to undertake BETTA work, noting the arguments made for and against each of the three options identified in the consultation (see Section 8 and Annex 2). There was some feeling that a fixed date (option (a)) at which the authorisation might end would be inefficient if a further modification were needed to change the date chosen. Also, there was some reluctance to have an open-ended commitment when there came a clear point at which BSCCo should no longer be undertaking BETTA work. The GSMG agreed that option (b) – linking the authorisation duration to the Applicable BSC Objective (e) - was the best option. In this option the duration of any authorisation to BSCCo to work on BETTA would cease when Applicable BSC Objective (e) in the Transmission Licence ceased to have force. The legal text proposed for P108 (Annex 1) incorporates this.

#### **4.2.3 The Initial Funding of BSCCo's BETTA work**

The GSMG discussed initial funding of any BETTA work undertaken by BSCCo.

Initial funding is here taken to mean 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) and the BSC Parties that provided the initial funding be reimbursed, probably under the future Great Britain Balancing and Settlement Code (GB BSC). There are precedents for this, for example NETA development.

The GSMG considered various options for initial funding, including recovering the BSCCo's BETTA costs under existing processes as BSC Costs under Section D of the BSC, i.e. after funding BSCCo's 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, and is classed as option (a) in the consultation and below.

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

The GSMG considered whether this apportionment meant that some BSC Parties would not bear any of the BSCCo's BETTA costs, e.g. those who did not have Credited Energy Volumes would not contribute. The point was also made that this feature was not new.

#### ***Potential Alternative Modification 1***

The GSMG considered how costs might be apportioned over those parties who did not have Credited Energy Volumes, in particular those parties who were trading but had balanced positions. It was determined that, if this were an option, it would have to be simple to operate. At its first meeting, the GSMG determined to consult on an initial funding arrangement that would be based upon charging a common fee to each BSC signatory as an alternative option to the previously suggested existing BSC Cost route. It was noted that this would also catch other parties, for example distribution businesses, not only those with balanced trading positions. The monthly fee suggested would be based upon (estimated annual costs to be incurred by BSCCo in undertaking BETTA work) divided by (number of BSC signatories). This was considered to be a potential Alternative Modification to P108, and is classed as option (b) in the consultation and below.

#### ***Potential Alternative Modification 2***

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

This proposal was based upon the technique suggested by Modification Proposal P97<sup>2</sup> (which was proposed and subsequently withdrawn in September 2002). This proposed that BSCCo's BETTA costs should be initially funded by "BSC Parties (or BSC Parties with sister or parent companies) serving the Scottish electricity supply market in proportion to a snapshot of current market shares by volume".

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

#### ***GSMG discussion of the initial funding options***

At its second meeting, the GSMG considered the consultation responses (and views expressed in impact assessments) on the three options for initial funding of BSCCo's BETTA work as set out in the consultation. The GSMG noted the lower level of support for option (b), a common fee payable by all BSC signatories. It determined that it was not appropriate as it was detrimental to smaller players and did not better facilitate the promotion of effective competition as set out in Applicable BSC Objective (c).

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

GSMG members then each stated their position on the remaining options: (a) – funding as BSC Costs via existing funding arrangements; and (c) – funding from BSC Parties with interests in the Scottish electricity market. The various arguments made at GSMG are outlined below.

Views of GSMG members in favour of option (a) and against option (c) included the following.

- The Authority has previously given many BSC modification decisions supporting the view that approved BSC modifications would, in general, be paid for by all BSC Parties. The Authority decision with respect to modification P91<sup>3</sup> has set out the Authority's criteria for any departure from this, and P108 does not fall within these criteria. BETTA has not been requested by any BSC Party and so costs incurred cannot be targeted to particular BSC Parties.
- Funding by a sub-set of BSC Parties does not promote competition and therefore option (c) cannot be considered to better facilitate Applicable BSC Objective (c).
- The benefits or otherwise of BETTA will go to all parties – England & Wales BSC Parties will not be able to opt out of the British market under BETTA.
- Option (a) is more efficient than option (c) and therefore better facilitates Applicable BSC Objective (d). As only initial funding is being considered, it is more efficient to allow BSCCo to recover its costs under existing routes. This is more efficient than developing a new funding route (with accompanying effort and expense) which attempts to “second-guess” the eventual cost recovery route, which may of itself require another new methodology to be developed (although this may be under the GB BSC).
- Option (a) gives all BSC Parties an interest in containing BSCCo's BETTA costs rather than a smaller sub-set and therefore puts more pressure on BSCCo to control those costs.
- Option (c) gives rise to practical difficulties: the legal remit to charge parent or sister companies was given as an example. The proposed route given to implement option (c) set out in one of the consultation responses appeared to be flawed in that it only considered consumption market share, although it was also noted that this could be added into the calculations.
- Option (a) is consistent with Ofgem's view expressed in its conclusions on the proposed modification to NGC's Transmission Licence (September 2002) that costs should be funded by England & Wales Parties in the first instance<sup>4</sup>.
- The modification refers only to BSCCo's BETTA costs not the whole of BETTA implementation costs.

Views of GSMG members in favour of option (c) and against option (a) included:

- BETTA primarily benefits Scottish consumers and should therefore be funded by those operating in the Scottish market.
- BETTA is the extension of NETA arrangements in England & Wales to Scotland, as opposed to the Settlement Agreement for Scotland (SAS) being extended to become a Settlement Agreement for Great Britain.

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<sup>3</sup> “Modification to the Balancing and Settlement Code (“BSC”) – Decision and Direction in relation to Modification Proposal P91: “Extension to Data Provided to the Transmission Company in the TUoS Report”, Ofgem, 13 November 2002.

<sup>4</sup> “ELEXON and the introduction of BETTA – Conclusions on the Proposed Modification to NGC's Transmission Licence and Consultation under Section 11A Notice to modify NGC's Transmission Licence”, Ofgem, published on 18 September 2002. Paragraph 5.8 of this document states: “Ofgem believes that it is appropriate for costs to be funded by England & Wales Parties in the first instance.”

- If BETTA were not to be implemented, competition would be undermined if England & Wales Parties had to bear the full costs, whilst some companies active in the Scottish market avoided those costs and therefore option (c) may better facilitate Applicable BSC Objective (c).
- Option (c) would enhance transparency of the Scottish market by forcing publication of market shares.

### ***GSMG conclusions on initial funding***

Having considered the arguments for and against the two options, the GSMG first wished to highlight the following to the Authority:

- the split of industry views on the likely beneficiaries of BETTA; and
- the concern that appeared in a number of consultation responses over the need for a consultation/decision on eventual cost recovery, although the GSMG recognised that any work on this issue was not within its vires.

Associated comments from respondents were also noted by GSMG, including the view that P108 should not be implemented until the issue of cost recovery had been debated and concluded. The Chairman noted that Ofgem were considering cost recovery issues. The Ofgem representative confirmed that a consultation on this issue would be published.

The GSMG considered whether option (c) was a suitable Alternative Modification and determined by a majority (with one dissenting) that option (c) did not better facilitate the Applicable BSC Objectives as compared with option (a). In view of this decision not to proceed with option (c) as an Alternative Modification, the GSMG did not proceed to explore the practicalities of implementing option (c). However, it was recognised that there would be implementation issues if this option were to be pursued further, e.g. possible changes to the Settlement Agreement for Scotland (SAS) to report on Scottish electricity market shares and the need to develop a funding methodology.

#### **4.2.4 Reporting by BSCCo on its BETTA work to BSC Parties**

At the first meeting of the GSMG to consider P108, ELEXON outlined a reporting process by which it could make information (progress and costs) on work it was undertaking on BETTA available to BSC Parties. This used existing reporting mechanisms, i.e. through an additional line on BETTA costs in the attachment to ELEXON's monthly invoices; through ELEXON's monthly finance reports (put on the ELEXON website); through ELEXON's quarterly reports (ditto); and through the ELEXON report to the BSC Panel (ditto).

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

At its second meeting, the GSMG considered the consultation responses and comments relating to the reporting by BSCCo of its BETTA work. It noted the unanimous response (bar one, which did not express an opinion) that the suggested reporting routes, using existing ELEXON reports, were adequate. The GSMG endorsed the approach suggested.

#### **4.2.5 Implementation Date**

The GSMG considered a possible Implementation Date for P108 and supported the ELEXON recommendation that this be two working days after the Authority's decision, given the lack of impact on other parties and the need to update the Code.

#### **4.3 GSMG conclusion and recommendation to the BSC Panel**

The GSMG concluded that its recommendation to the BSC Panel would be that the draft Modification Report contains a provisional recommendation that Modification P108 should be made with an Implementation Date of Two Working Days after the Authority decision.

### **5 IMPACT ON BSC AND BSCCO DOCUMENTATION**

#### **5.1 The Balancing and Settlement Code**

Modification Proposal P108, as developed by the GSMG (see Section 4 above) requires changes to Section C of the Code. The changes to the legal text of the Code are based on version 2.0 of Section C. If the baseline of the Code changes prior to the implementation of P108, or if other Modification Proposals are to be implemented at the same time as P108, the legal text may need to be amended.

In order to implement P108, a new section C8 is proposed for insertion at the end of the existing section C. This authorises BSCCo to undertake "BETTA Support Work" (defined in the new section C8) for the Authority and includes those requirements of the NGC Transmission Licence explicitly required of any modification to the Code such that it better facilitates the achievement of Applicable BSC Objective (e). These requirements are that (i) such work is proposed by BSCCo and approved by the Authority prior to its commencement (proposed new BSC paragraph C8.1.2 refers); and (ii) the costs of such work as may be carried out by BSCCo shall be identified and recorded separately by BSCCo (proposed new BSC paragraph C8.2.2 refers).

As agreed by the GSMG, the legal text includes a sunset clause limiting the duration of the authorisation to BSCCo to carry out "BETTA Support Work" which is linked to the duration of Applicable BSC Objective (e) (proposed new BSC paragraph C8.1.3 refers). The legal text also provides for regular reporting to BSC Parties and the BSC Panel in respect of such work.

The legal text is included in Annex 1 to this Report.

### **6 IMPACT ON ELEXON**

The nature of the changes proposed in P108 are largely administrative in their direct impact upon ELEXON. As P108 is an enabling modification, direct impacts are classed as those necessary to implement the modification, irrespective of whether any BETTA work is done by BSCCo. Consequential impacts are classed as those derived from any BETTA work that BSCCo undertakes as a result of the Authority directing that P108 should be made and implemented and, subsequently, BETTA work being proposed by BSCCo and approved by the Authority.

The direct impacts of P108 would fall into the following main areas:

- the requirement to identify and account separately for BSCCo costs;
- the requirement to make available to BSC Parties regular reports on the progress and costs of its BETTA activities; and

- the preparation of BETTA work packages for consideration by the Authority.

As the GSMG has agreed that the existing BSC Costs recovery route will be used for the initial funding of BSCCo's BETTA costs, there will be little additional impact on ELEXON procedures in respect of funding.

The GSMG has agreed the use of existing reporting routes for BSCCo's BETTA work so it is envisaged that there will be little additional impact on ELEXON's administrative reporting procedures as a result of implementing this modification.

If P108 is approved and, as a result, ELEXON undertakes BETTA work for the Authority, there will be consequential costs incurred. It is ELEXON's intent as part of undertaking any BETTA work to report on budgeted and actual costs for each area of work.

Applicable BSC Objective (e) requires that any BETTA work undertaken by BSCCo does not prevent BSCCo performing its other functions under the BSC in accordance with its objectives. This is re-enforced in the proposed legal text for this modification (Annex 1).

## **7 IMPACT ON PARTIES AND PARTY AGENTS**

A High Level Impact Assessment was requested on 19 November 2002 with a closing date for responses of 26 November 2002.

Seven responses (including one late response) were received.

The following organisational impacts were identified by respondents:

- resources required to review ELEXON BETTA documentation following on from the implementation of P108; and
- an increase in BSC Costs, dependent on the level of BSCCo BETTA costs and on the initial funding route chosen.

Six respondents identified no system impacts. One respondent suggested a six month plus implementation timescale, but subsequently it was ascertained that this was a view on BETTA implementation itself, rather than P108.

There was a range of responses on implementation timescales, ranging from unable to comment to having a linkage with eventual cost recovery, but no system limitations were identified.

Respondents were also asked to identify any different impacts and implementation timescales for the three initial funding options. Views were expressed on the relative merits of the options, but no differences in implementation timescales were identified.

Two respondents to the impact assessment request, who did not respond to the consultation, expressed views on the funding options and these views have been included in Section 8.

## **8 SUMMARY OF REPRESENTATIONS**

A consultation questionnaire seeking BSC Party and other interested industry participants' opinions on whether or not the Proposed Modification or the potential Alternative Modifications (see Section 4) would better facilitate achievement of the Applicable BSC Objectives was discussed at the GSMG meeting of 15 November 2002. The consultation was issued on 19 November 2002, with a deadline for the receipt of responses of 26 November 2002.

The questions asked during the consultation were as follows.

1. Do you believe that P108 better facilitates the achievement of the Applicable BSC Objectives? Respondents were asked to explain the rationale for their response.
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:
  - 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.

Respondents were asked to state their preference for option (a), (b) or (c) and to give reasons for that preference.

3. The GSMG have discussed the initial funding of BSCCo's BETTA related costs (see footnote<sup>5</sup> 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.

Respondents were informed that option (b) or (c) could be a potential Alternative Modification. They were asked to state their preference for options (a), (b) or (c) with reasons, and to state how that preference better facilitated the achievement of the Applicable BSC Objectives.

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.

Respondents were asked to state whether they believed this reporting was adequate with reasons.

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<sup>5</sup> 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.

5. In relation to P108, are there any other options you wish the GSMG to consider? If yes, please describe them.
6. Do you have any further comments on P108 that you wish to make?

Eleven responses, representing a total of 53 BSC Parties, were received. The responses are attached as Annex 2 to this report and are summarised below.

Q	No		Yes		No response indicated	
	Responses	BSC Parties	Responses	BSC Parties	Responses	BSC Parties
1	0	0	10	52	1	1
4	0	0	10	52	1	1

Q	Option (a) preference		Option (b) preference		Option (c) preference		No response indicated	
	Responses	BSC Parties	Responses	BSC Parties	Responses	BSC Parties	Responses	BSC Parties
2	4 <sup>1</sup>	30 <sup>1</sup>	6 <sup>1</sup>	23 <sup>1</sup>	2	6	1	1
3	6 <sup>2</sup>	25 <sup>2</sup>	1	3	5 <sup>2</sup>	26 <sup>2</sup>	1	1

Notes: (1) Two respondents (representing 7 Parties) expressed support for the earlier of (a) and (b). This is recorded as being a first preference against both options (a) and (b) in the above Table.

(2) Two Parties, who did not respond to the consultation, nevertheless expressed a preference for options (a) and (c) respectively in their Impact Assessments. These preferences are included in the above Table.

**Responses to Question 1 (on whether P108 better facilitates the Applicable BSC Objectives).**

All respondents bar one (who did not express a view) supported the view that P108 better facilitates the achievement of the Applicable BSC Objectives. Most cited the new Applicable BSC Objective (e) in their response.

One respondent (representing 2 Parties) expressed the view that if ELEXON and NGC did not have sufficient resources to carry out the BETTA work and/or costs were not carefully controlled, then the Objective would not be satisfied. This latter view, that is in respect of costs, was also supported by another respondent (representing 4 Parties). It also took the view that BETTA work must not impact on the efficiency of BSCCo meeting its existing obligations and that, in particular, any delays in BETTA timescales should not be allowed to impose increased costs or resource requirements on BSCCo. Another respondent (representing 6 Parties) expressed a similar view that Applicable BSC Objective (d) would not be met if BETTA work detracted from ELEXON's existing commitments and hoped that the BSC Panel would be rigorous in ensuring ELEXON met its primary duties.

One respondent (representing 4 Parties) suggested that P108 should not be implemented until the issue of cost recovery had been debated and concluded. To do otherwise, it was suggested, would be detrimental to the achievement of Applicable BSC Objective (c).



Another respondent (representing 15 Parties) expressed the view that the Objectives were facilitated only so long as BETTA were in fact implemented. This respondent took the view that if BETTA were not to proceed, then competition might be undermined as Parties operating solely in England and Wales would have to front the associated costs thus impeding their ability to compete.

### **Responses to Question 2 (on duration of authorisation)**

All respondents bar one expressed a view.

Two respondents (representing 7 Parties) supported the earlier of options (a) and (b) but differed on what the fixed date in option (a) should be.

**Option (a)** (fixed date). For those four respondents (representing 30 Parties) who supported option (a), the fixed date, either alone or in conjunction with option (b), the fixed dates suggested were as follows.

- **31 March 2004** (the planned BETTA implementation date) – 2 respondents (representing 12 Parties) supported this fixed date.

One of these respondents (representing 4 Parties), a supporter of the earlier of (a) and (b) as the overall solution, suggested that the planned BETTA implementation date was appropriate because it would help to focus BSCCo and Ofgem on implementing BETTA on time. A later date would only be necessary if the planned implementation date were believed to be unrealistic. They did not support an open-ended authorisation because it could result in significant costs to BSC Parties.

The other respondent (representing 8 Parties) who supported this particular date believed that the issues associated with the GB BSC and cost recovery should have been addressed significantly in advance of this date.

- **31 March 2005** (one year later than the current planned BETTA implementation date) – 2 respondents (representing 18 Parties) supported this fixed date.

One of these respondents (representing 15 Parties) supported this option as it meant that no unnecessary burden would be spent on proposing a new modification to prevent BSCCo working on BETTA after BETTA implementation.

The other respondent (representing 3 Parties) who supported this option (or (b) if sooner) with this particular date, did so because it believed that 31 March 2005 was a prudent estimation for a potential overrun to BETTA implementation. A further modification to extend the date further could be raised later if slippage necessitated this.

One respondent (representing 6 Parties) explicitly opposed option (a) on the grounds that it would require a further modification if the proposed date became unrealistic.

**Option (b)** – the sunset clause linked to the duration of Applicable BSC Objective (e) - was supported by six respondents (representing 23 Parties) either alone or in conjunction with option (a). One respondent (representing 2 Parties) on the grounds that it allowed for flexibility if slippage in BETTA implementation occurred. Although another respondent (representing 4 Parties) supported this option, they also suggested that BSCCo should give due consideration to the status of BETTA and other relevant industry developments when approving any costs. In the event that there was any doubt over the viability of the BETTA project, then BETTA related work should be halted immediately. A third

respondent (representing 6 Parties) supported this option or BETTA go-live whichever was earlier, but with some reservations about all of the options given the current uncertainty in the industry over the time necessary to implement new systems and processes for BETTA. Another (representing 4 Parties) took the view that option (b) was the only possible option, given that BSCCo should only be working on something to achieve, or better achieve, the BSC objectives and that once Applicable BSC Objective (e) ceased to have force, then BSCCo should no longer be working on BETTA.

**Option (c)** (no sunset clause) was supported by two respondents (representing 6 Parties). One (representing 5 Parties) believed that sunset clauses should not be included in the BSC, as they are not efficient, particularly for large projects whose implementation dates are subject to change. If changes are necessary to the BSC these should be dealt with through the Modification process.

The other supporter of this option (1 Party) suggested that this option provided most flexibility and that the provisions of P108 could be removed by a further modification to the BSC if necessary.

One respondent (representing 15 Parties) did not support this option as they believed an open-ended authorisation could lead to questions as to why the work had not been subject to competitive tender. Another respondent (6 Parties) also opposed an open-ended commitment.

### ***Responses to Question 3 (on initial funding of costs)***

**Option (a)** – funding via the existing BSC Costs route - was supported by five respondents (representing 24 Parties) to the consultation plus one impact assessment response. One (representing 5 Parties) stated that although it believed that initial costs should be fairly distributed amongst all market participants it foresaw difficulties with this approach and therefore supported option (a). Another respondent (8 Parties) stated that the existing funding arrangements were the simplest and were already understood by market participants, but expressed concerns that: some parties would share in the benefits of BETTA but not contribute, at least initially; and if BETTA were not to be implemented, NETA participants would be left with unrecoverable costs, which would appear not to fulfil the BSC Objectives.

Another respondent (representing 6 Parties) supported this option (a) and noted that many previous Authority decisions supported the view that approved BSC modification would, in general, be paid for by all BSC Parties. It cited the Authority decision with respect to modification P91 as setting out the Authority's criteria for any departure from this and suggested that P108 did not fall within these criteria. In its view, neither options (b) nor (c) met the Authority criteria.

Two Parties, who did not return consultation responses, nevertheless expressed opinions on option (a) in their impact assessments. One said option (a) seemed the most appropriate allocation and the other opposed option (a) on the grounds that it had no interest in the Scottish market.

**Option (b)** – funding by a common fee payable by all BSC signatories - was supported by one respondent (representing 3 Parties) on the grounds that BETTA was for the benefit of all parties within Great Britain and that all BSC signatories should therefore contribute. It also stated that the funding arrangements should have maximum transparency.

Option (b) was also explicitly opposed by two respondents to the consultation (representing 10 Parties) on the grounds, respectively, that: it impacted disproportionately on BSC Parties with a low volume of

trading activity and was unfair and would not promote competition; and it failed the Authority's criteria for funding set out in its decision on modification P91.

Additionally two Parties, who did not return a consultation response, nevertheless expressed opposition to option (b) in their impact assessments on the grounds, respectively, that: it was detrimental to smaller players; and it was an unreasonable allocation of costs.

**Option (c)** – funding by Parties with an interest in the Scottish electricity market - was supported by four respondents (representing 25 Parties) to the consultation plus one impact assessment response. Two respondents (representing 8 Parties) on the grounds that Scottish parties were the beneficiaries of BETTA, and one (representing 2 Parties) on the grounds that England & Wales parties had paid for NETA. The latter also noted that Scottish Power and Scottish & Southern paid for NETA via the interconnector and suggested some offsetting arrangement should be put in place.

The fourth respondent (representing 15 Parties) took the view that if BETTA were not to be implemented, competition would be undermined if England & Wales Parties had "cross-subsidised" parties operating in the Scottish market and that BETTA was designed to benefit Scottish customers. It believed that option (c) helped facilitate achievement of Applicable BSC Objective (d). It also made suggestions as to how option (c) might be implemented in practice.

Option (c) was explicitly opposed by three respondents (representing 13 Parties) to the consultation and one impact assessment respondent. Two of these on the grounds respectively that: it was discriminatory and flawed; and that it failed the test of Applicable BSC Objectives (c) and (d). The third opponent cited a number of reasons for its opposition including that there was no obvious contractual route to charge parties operating in Scotland; that the proposed approach would not capture all parties operating within the Scottish electricity market and that BETTA was intended to improve competition across the whole of Britain.

One Party, who did not return a consultation response, nevertheless expressed support for option (c) as being more equitable than the other options in its impact assessment. Another Party, in the same position, expressed an opposing view, stating that option (c) was an unreasonable allocation of costs.

**Other comments.** Two respondents (7 Parties) expressed views regarding the need to urgently address the issue of eventual cost recovery. One of these (representing 2 Parties) expressed the view that cost recovery should be determined before P108 is approved.

One respondent (6 Parties) took the view that any decision on initial funding cannot have any impact on the arrangements for eventual cost recovery.

One other comment (representing 3 Parties) noted that funding arrangements should reflect the potential for an increase or decrease in the number of BSC Parties during the funding period.

#### ***Responses to Question 4 (on reporting)***

All respondents bar one (who did not express an opinion) supported the proposed approach.

One (representing 4 Parties) supported with the proviso that reports should include a full break down of the scope of the work with budgeted, total to date and projected final costs by work area reported monthly.

Another (representing 15 Parties) supported the reporting including a report detailing scope was important to ensure that England & Wales monies were not going to BETTA. It also suggested that the BSC Panel should monitor transparency to protect against cross-subsidy.

A third (representing 3 Parties) supported whilst noting the need for open and transparent reporting of costs on a 'project' basis with defined packages/milestones. It also suggested that it would be prudent not to be too prescriptive on reporting at this early stage.

Another (representing 6 Parties) suggested that any reporting should inform market participants whilst minimising additional costs. It also considered and agreed with the role of the BSCCo Board in relation to monitoring BETTA costs, whilst requesting that ELEXON to provide details in the very near future of its proposed work packages.

#### ***Responses to Question 5 (on other options for consideration)***

All respondents bar one (who did not express an opinion) stated that there were no other options that they wished GSMG to consider.

#### ***Responses to Question 6 (further comments)***

Seven respondents (representing 30 Parties) stated that they had no further comments on P108. Three respondents (22 Parties) had additional comments. One Party did not express a view.

One respondent (representing 15 Parties) expressed concern that the industry was being encouraged to sanction expenditure on ELEXON BETTA development work without first having certainty as to who would initially fund this work. A similar view was expressed by another respondent (4 Parties), who believed that eventual cost recovery should not be ultra vires. The response stated that eventual cost recovery was directly relevant to the achievement of Applicable BSC Objective (c). However, if eventual cost recovery was not to be part of the BSC process, then it must be concluded before P108 is implemented.

One respondent (3 Parties) wished that, should BETTA not be implemented, the BSCCo project should identify the scope and extent of all costs likely to be sunk and therefore passed on to BSC Parties.

## **9 SUMMARY OF TRANSMISSION COMPANY ANALYSIS**

The Transmission Company identified no impact from P108.

## ANNEX 1 PROPOSED TEXT TO MODIFY THE BSC

The following legal text is proposed for insertion in Section C of the BSC.

### Section C

#### 8. BSCCO INVOLVEMENT IN BETTA

##### 8.1 BETTA Support Work

8.1.1 Subject to the further provisions of this paragraph 8, and without prejudice to the discharge of its other functions and responsibilities in accordance with paragraph 1.3.1, BSCCo may undertake work (**BETTA Support Work**) by way of the provision to the Authority of facilities, resources and other services and support in connection with the development and implementation of BETTA (the proposed British Electricity Trading and Transmission Arrangements, as referred to in Standard Condition C3.3(e) of the Transmission Licence), including in particular:

- (a) the identification and development of the changes which would be required to the Code and Code Subsidiary Documents to enable them to serve as a balancing and settlement code for Great Britain (**GB BSC**) and its subsidiary documents for BETTA;
- (b) the identification, impact assessment, design, development, testing and trialling of the changes which would be required to BSC Agent Systems, BSC Service Descriptions and BSC Agent Contracts and the systems, service descriptions and contracts of other service providers to enable them to serve as systems, service descriptions and contracts for BETTA;
- (c) planning and preparation for the introduction of, and the transition from the arrangements subsisting pursuant to the Code and the Settlement Agreement for Scotland to those subsisting under, a GB BSC.

8.1.2 BSCCo shall not undertake any BETTA Support Work unless BSCCo has proposed to the Authority a work specification (in such form and detail as the Authority may require) for such BETTA Support Work and the Authority has approved such work specification.

8.1.3 If the Transmission Licence is modified so as to exclude Standard Condition C3.3(e), with effect from the effective date of such modification, BSCCo's authority to conduct BETTA Support Work shall lapse, without prejudice to the BETTA Support Work undertaken by BSCCo before such date, and to BSCCo's authority to satisfy any commitment entered into in the course of undertaking BETTA Support Work (pursuant to a work specification approved pursuant to paragraph 8.1.2) before such date.

##### 8.2 Further provisions

8.2.1 In the course of undertaking BETTA Support Work pursuant to a work specification approved pursuant to paragraph 8.1.2 BSCCo may (without limitation):

- (a) procure advice, impact assessments and other services (as required for the purposes of paragraph 8.1.1(b) or (c)) from BSC Agents and other service providers;
- (b) negotiate amendments with BSC Agents and other service providers (as to such additions and changes as are described in paragraph 8.1.1(b)) to BSC Agent Contracts, BSC Service Descriptions and other service provider contracts and service descriptions, or with the approval of the Authority procure and/or negotiate an offer from a person not being the existing BSC Agent to enter into such an additional or amended BSC Agent Contract, provided that any such amendment (or acceptance of any such offer)

shall be expressed to be conditional and contingent upon the decision (which BSCCo is not authorised under this paragraph 8 to take) that the relevant BSC Agent or other person is to be appointed in an equivalent capacity under the GB BSC;

- (c) liaise, cooperate and exchange information with Core Industry Document Owners;
  - (d) consult with Parties and others in relation to the matters in paragraphs 8.1.1(a), (b) and (c);
  - (e) for the purposes of any such consultation, disclose or publish any relevant information (as defined in paragraph 3.6.4), excluding any information which relates to the affairs of an individual Party and is in BSCCo's opinion commercially sensitive, or the disclosure or publication of which would in BSCCo's opinion substantially prejudice the interests of all or a class of Parties collectively, unless the Authority notifies BSCCo that the Authority has determined that such disclosure or publication is requisite for the purposes of the undertaking of the BETTA Support Work;
  - (f) procure such further resources and services as it may reasonably require to enable it to undertake such BETTA Support Work.
- 8.2.2 The costs, expenses and liabilities incurred by BSCCo in the undertaking of BETTA Support Work shall be BSC Costs, but BSCCo shall keep account of such costs, expenses and liabilities separately from all other BSC Costs.
- 8.2.3 BSCCo shall prepare and make available to the Panel and to Parties regular reports in respect of BETTA Support Work, and the costs, expenses and liabilities incurred in undertaking such work, but BSCCo shall not be required to disclose to Parties or the Panel any information relating to BETTA which the Authority expressly requests BSCCo to keep confidential.
- 8.2.4 The functions of, and the things done by, BSCCo under and pursuant to this paragraph 8 shall be considered to be functions under and things done pursuant to the Code for the purposes of paragraphs 3.4.1, 3.4.2, 4.4, 4.5, 4.6, 5.1 and 5.3 and Sections D2, H4.2 and H4.3 (but subject to paragraph 8.2.1(e) above), H4.6, H4.7 (for the purposes of which BSCCo Materials and BSC Systems shall be construed taking account of BETTA Support Work), H4.10.2, H6, H7 and H9 but not for the purposes of any other provision of the Code (including paragraph 1.3) which applies or refers directly or indirectly to the functions of BSCCo; and the Panel shall have no duties or responsibilities in relation to BETTA Support Work and (except as provided in paragraph 8.2.3) BSCCo shall owe no duties to the Panel or to any Party or Parties generally in the carrying out of such functions.
- 8.2.5 Without prejudice to what may be provided in the relevant work specification pursuant to paragraph 8.1.2, Section E2.7 shall not apply in relation to anything done by BSCCo pursuant to paragraph 8.2.1(b).

## **ANNEX 2 P108 CONSULTATION RESPONSES**

Attached as a separate document.

### ANNEX 3 HIGH LEVEL IMPACT ASSESSMENT RESPONSES

Organisation	Comments
<p><b>Derek Livesey</b> United Utilities</p>	<ol style="list-style-type: none"> <li>1. What impact, if any, would the Proposed Modification P108 have upon your organisation? <ul style="list-style-type: none"> <li>• <b>Allocate resources to review the documents produced by Elexon when undertaking their obligations to fulfil Modification P108.</b></li> </ul> </li> <li>2. What implementation timescale would you require to make the changes required by P108? <ul style="list-style-type: none"> <li>• <b>Unable to comment on an implementation timetable due to lack of information.</b></li> </ul> </li> <li>3. Please outline any difference in impact and implementation timescales between the following three initial funding options: <ol style="list-style-type: none"> <li>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</li> <li>• <b>Seems the most appropriate way of allocating the additional costs created from undertaking Modification P108.</b></li> <li>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</li> <li>• <b>Unreasonable allocation of costs.</b></li> <li>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.</li> <li>• <b>Unreasonable allocation of costs.</b></li> </ol> <p>Note: Option (a) is a refinement of the P108 Modification Proposal. Option (b) or (c) could be a potential Alternative Modification.</p> </li> <li>4. Any other comments:</li> </ol>
<p><b>Rachel Ace</b> British Energy</p>	<ol style="list-style-type: none"> <li>1. What impact, if any, would the Proposed Modification P108 have upon your organisation? <b>None</b></li> <li>2. What implementation timescale would you require to make the changes required by P108? <b>None</b></li> <li>3. Please outline any difference in impact and implementation timescales between the following three initial funding options: <ol style="list-style-type: none"> <li>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>None</b></li> </ol> </li> </ol>



	<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 <b>None</b></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. <b>None</b></p> <p>Note: Option (a) is a refinement of the P108 Modification Proposal. Option (b) or (c) could be a potential Alternative Modification.</p> <p>4. Any other comments:</p>
<p><b>Liz Anderson</b> LE Group</p>	<p>1. What impact, if any, would the Proposed Modification P108 have upon your organisation?</p> <p><b>This proposed modification would result in increased BSC Costs to the LE Group BSC Parties. The magnitude of these additional costs would be dependent on the method of initial funding chosen and the level of BSCCo costs associated with this activity. We do not anticipate any impact on systems.</b></p> <p>2. What implementation timescale would you require to make the changes required by P108?</p> <p><b>The proposed modification should not be implemented until an appropriate mechanism has been established by Ofgem, in consultation with the industry, for the recovery of all BETTA development costs, including those that would arise as a result of this modification proposal.</b></p> <p>3. Please outline any difference in impact and implementation timescales between the following three initial funding options:</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</p>

	<p>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><b>Note: Option (a) is a refinement of the P108 Modification Proposal. Option (b) or (c) could be a potential Alternative Modification.</b></p> <p><b>Option (a) would result in a percentage increase in our BSC costs; Option (b) would result in a relatively small additional BSC charge; and, Option (c) would result in a small percentage increase in our BSC costs.</b></p> <p><b>We do not anticipate any differences in required implementation timescales between the three options. Our main concern is that a mechanism for recovery of all BETTA development costs should be determined by Ofgem, in consultation with the industry, before this modification proposal is implemented.</b></p> <p>4. Any other comments:</p> <p><b>None additional to the above.</b></p>
<p><b>Man Kwong Liu</b> Scottish Power</p>	<p>1. What impact, if any, would the Proposed Modification P108 have upon your organisation?</p> <p><b>None.</b></p> <p>2. What implementation timescale would you require to make the changes required by P108?</p> <p><b>None.</b></p> <p>3. Please outline any difference in impact and implementation timescales between the following three initial funding options:</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 (a) is a refinement of the P108 Modification Proposal. Option (b) or (c) could be a potential Alternative Modification.</p> <p><b>No difference, but see our comments below.</b></p> <p>4. Any other comments:</p> <p><b>Please see our comments on the attached P108 Assessment Consultation Response.</b></p>

<p><b>Janice Tanner</b> Thames Power</p>	<p>1. What impact, if any, would the Proposed Modification P108 have upon your organisation?</p> <p>We expect a low impact from the point of view of trading and operations but it is likely that the transmission aspects will result in changes to procedures and IT systems.</p> <p>2. What implementation timescale would you require to make the changes required by P108?</p> <p><b>6 months plus due to the complexity of the systems involved.</b></p> <p>3. Please outline any difference in impact and implementation timescales between the following three initial funding options:</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>We disagree with this option as it would result in an unwarranted increase in cost to BPL who does not have an interest in the Scottish market</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>This is significantly more detrimental to BPL and other small players than Option (a). There would be no commercial advantage to these participants and the charges would be the same as for larger organisations</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>BPL favour this as a more equitable way of apportioning costs to those who are in a position to participate in the market</p> <p>Note: Option (a) is a refinement of the P108 Modification Proposal. Option (b) or (c) could be a potential Alternative Modification.</p> <p>4. Any other comments:</p> <p><b>Please direct any questions you have relating to this response to Alistair Trower – Trading Manager</b></p>
<p><b>Sue Macklin</b> Scottish and Southern</p>	<p>There will be a financial impact on our organisation, option (a) is our preferred option. (Please refer to our response on the consultation for Modification P108.)</p> <p>We have no implementation issues to address therefore we will not require any notice of implementation.</p>
<p><b>Rachel Gardener</b> Aquila Networks (late response)</p>	<p>1. What impact, if any, would the Proposed Modification P108 have upon your organisation?</p> <p><b>Response: We believe that MP 108 will have no direct impact upon our organisation (metering Services Ltd).</b></p> <p>2. What implementation timescale would you require to make the changes required by P108?</p> <p><b>Response: Not applicable, see response to Q1.</b></p>

	<p>3. Please outline any difference in impact and implementation timescales between the following three initial funding options:</p> <ul style="list-style-type: none"><li>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</li><li>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</li><li>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.</li></ul> <p>Note: Option (a) is a refinement of the P108 Modification Proposal. Option (b) or (c) could be a potential Alternative Modification.</p> <p><b>Response: No impact, not applicable, see response to Q1.</b></p> <p>4. Any other comments:</p> <p><b>Comment: We believe that the implications of MP 108 are only applicable to BSC Parties at this current juncture.</b></p>
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## **ANNEX 4 SPECIFIC TERMS OF REFERENCE FOR MODIFICATION PROPOSAL P108**

### **TERMS OF REFERENCE (Version 1.0)**

#### **ANNEX FOR MODIFICATION PROPOSAL P108**

**Modification Proposal P108 will be considered by the Governance Standing Modification Group (GSMG) in accordance with the GSMG Terms of Reference.**

**P108 – Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)**

#### **1. ASSESSMENT PROCEDURE**

- 1.1 The Modification Group will carry out an Assessment Procedure in respect of Modification Proposal P108 pursuant to section F2.6 of the BSC.
- 1.2 The Modification Group will produce an Assessment Report for consideration at the BSC Panel Meeting on 12 December 2002.
- 1.3 The Modification Group shall consider and/or include in the Assessment Report as appropriate:

##### **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; and

##### **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. Eventual cost recovery will be the subject of a separate Authority consultation and is not within the scope of this Modification Proposal.