

Responses from P108 Draft Report Consultation

Consultation issued 16 December 2002

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented
1.	SEEBOARD Energy	P108_DR_001	1
2.	British Gas Trading	P108_DR_002	1
3.	Scottish and Southern	P108_DR_003	4
4.	Powergen	P108_DR_004	15
5.	Scottish Power	P108_DR_005	6
6.	LE Group	P108_DR_006	4
7.	Aquila Networks	P108_DR_007	1
8.	British Energy	P108_DR_008	3

P108_DR_001 – SEEBOARD Energy

With respect to draft modification report for P108 (Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)) dated 16th December 2002. We agree with recommendations within section 1.1 of this report and implementation date suggested.

Dave Morton
SEEBOARD Energy Limited

P108_DR_002 – British Gas Trading**Modification Proposal P108 : Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)**

Thank you for the opportunity of responding to this consultation. British Gas Trading Ltd supports the Panel's view that the proposal does better facilitate Applicable BSC Objective (e).

We believe this proposal is a timely change to the BSC which will allow Elexon to carry out those tasks for which it is either the only or the best placed party to support Ofgem and the DTI in the introduction of BETTA. We recognise and support the concerns that have been raised through consultation and within the modification group with regard to the cost recovery of BETTA associated costs. However, as the modification group recognised, this proposal is about initial funding and is not related to the overall cost recovery of BETTA implementation. We look forward to the forthcoming Ofgem consultation on this issue.

The proposal agreed by the modification group allows the BSCCo (Elexon) to continue work on BETTA until the termination of objective (e) within the Transmission Licence. It is anticipated that this clause will be removed on introduction of the new transmission licences. Although we accept this as a pragmatic solution we have some concern that this will prove to be a cumbersome transition and will not necessarily meet all the requirements that have been raised in the Modification Group's discussions. We would foresee particular issues arising should Elexon not be appointed as BSCCo by the GB System Operator (GB SO) going forward. Since we believe that the GBSO should have a significant role in the development of BETTA, following their appointment, it may be more appropriate for them to be instructing Elexon in these tasks rather than Ofgem.

If you require any further information, please contact me on the number above.

Yours faithfully

Danielle Lane
Contracts Manager

P108_DR_003 – Scottish and Southern

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

Further to your note of 16th December 2002, and the associated Draft Modification Report for P108, we agree in principle with the proposed BSC Panel recommendation to the Authority that the Original Modification Proposal P108 should be made but we do have concerns over unresolved policy issues.

If the Modification Proposal P108 is approved, we agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in Section 1.1 of the Draft Modification Report.

Regards

Garth Graham
Scottish & Southern Energy plc

P108_DR_004 – Powergen**P108 Report Comments**

On behalf of Powergen UK plc*, we thank you for the opportunity to comment on the Draft Report for Modification Proposal P108 - Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA).

In principle, Powergen are in favour of the modification, however, we feel a fundamental flaw exists, in regard to the allocation of initial funding costs, which needs to be explored. We agree that the modification promotes BSC objectives (c) and (e); without such a proposal, the BSCCo would be unable to carry out the necessary work required for the timely and effective implementation of the proposed BETTA.

Although BETTA further promotes competition in the generation and supply of electricity across a unified GB market, there is concern that in the event that BETTA does not go ahead, competition would be undermined as many of the BSC parties, operating solely in England and Wales, would have to fund the associated implementation costs, impeding on their ability to successfully compete. England and Wales companies would be left to cross-subsidise those companies operating in the Scottish market, for whose customers BETTA is designed to benefit. As NETA was funded only by parties participating in the England and Wales market, in the interests of consistency, transparency and competition, BETTA implementation costs should be funded only by those parties participating in the Scottish market. It was proposed that this would be achieved through the provision of a snapshot of current market shares by volume. As the proposer of this alternative, we were surprised at the limited information available on Scottish Market shares. SESL were unwilling to provide the Governance standing Modification Group (GSMG) with such information, despite the fact that it is readily available for the England and Wales market. It is unfortunate that transparency is currently so one-sided.

In response to some of the other issues raised in the Draft Report we concur that the scope of BSC work on BETTA should be limited and that the authorisation for the BSCCo to carry out this work be time limited, to cease when the applicable BSC objective (e) ceases to have force. Leaving the authority of the BSCCo open-ended might lead to questions as to why the work had not been subject to competitive tender. We recognise the importance of a regular report specific to BETTA work, detailing the scope of work undertaken, 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 imperative that all parties know exactly what they are paying for; it is however, 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 fund this work.

Yours sincerely,

Christiane Sykes.

*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.

P108_DR_005 – Scottish Power**P108 Draft Modification Report Comments**

For and on behalf of: - *Scottish Power UK plc; ScottishPower Energy Trading Ltd.; Scottish Power Generation plc; ScottishPower Energy Retail Ltd.; SP Transmission plc; SP Manweb plc*

With reference to the above, we agree with the Panel's recommendation that P108: Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA) would better facilitates the Applicable BSC Objective.

We would however reiterate our views, which we have previously expressed in support of P108, in particular, that: -

- 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.
- As the appropriate break point for BSCCo BETTA work is difficult to identify, we has suggested 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.

We nonetheless remain in support of the implementation of P108 as drafted in this Modification Report.

We have also considered the legal drafting and have no further comments to make.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours sincerely,

Man Kwong Liu
Calanais Ltd.

For and on behalf of: - *Scottish Power UK plc; ScottishPower Energy Trading Ltd.; Scottish Power Generation plc; ScottishPower Energy Retail Ltd.; SP Transmission plc; SP Manweb plc*

P108_DR_006 – LE Group

Modification P108: Modification to enable BSCCo to prepare for the implementation of British Electricity Trading Arrangements (BETTA)

Please note the following comments on the P108 Modification Report on behalf of LE Group (London Electricity Plc, Jade Power Generation Ltd, Sutton Bridge Power, West Burton Ltd).

We agree with the recommendation of the draft modification report that the involvement of BSCCo in the development of the new British Transmission and Trading Arrangements (BETTA) will be required and that the modification as proposed by the draft modification report does facilitate this.

We agree with the decision of the Modification Group 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.

We also agree with the proposed monitoring and reporting of the progress and costs of BSCCo BETTA activities via the existing reporting processes.

However, we also have some serious concerns.

We believe that the wider issue of the costs and funding of the BETTA project must be addressed immediately. We do not believe that this proposed modification should be implemented before the debate on cost recovery (which Ofgem has so far insisted is outside the scope of the BSC) has been concluded; 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.

BSC Parties are being asked to fund developments without any knowledge of whether these costs will be reallocated in the future or even, at this stage, whether the investment will result in corresponding benefits to England and Wales participants. We do not believe that this is a satisfactory approach to either BSC or the wider context of the BETTA project. Furthermore, this situation is exacerbated by the delays in Ofgem's timetable for consulting on the issue of cost recovery.

Best regards

Rupert Judson
LE Group Plc

P108_DR_007 – Aquila Networks

Please find that Aquila Networks response to P108 Consultation on draft Modification Report is 'No Comment'.

regards
Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

P108_DR_008 – British Energy

To: Modifications Secretary, BSCCo

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

British Energy supports P108 which will enable BSCCo to undertake work on BETTA in accordance with the terms set out in the Transmission Licence Condition C3.3 and thereby better facilitate achievement of Applicable BSC Objective (e). We also note and support the fact that all work proposed by Elexon in relation to BETTA must be approved by the Authority prior to commencement and that the costs of the work will be separately identified by Elexon. Finally we welcome the fact that the BETTA work will not be allowed to prevent BSCCo performing its other functions in accordance with its objectives.

The proposed legal text in 8.2.3 and 8.3.3 suggests that certain information and work may be confidential between Elexon and the Authority. We assume that this does not include any costs associated with that information and work.

Martin Mate
for
British Energy Power & Energy Trading Ltd
British Energy Generation Ltd
Eggborough Power Ltd