



February 2003

ASSESSMENT REPORT
**MODIFICATION PROPOSAL P102 – Entitlement of
Licence Exemptable Generators (“LEGs”) to BSC Membership
without Evidence of Trading**

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

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The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
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c Related Documents

Reference	Document
Reference 1	INITIAL ASSESSMENT OF MODIFICATION PROPOSAL P102- 'Entitlement of Licence Exemptable Generators ("LEGS") to BSC Membership Without Evidence of Trading', (P102IR)
Reference 2	Terms of Reference for Modification Proposal P102
Reference 3	P102 Modification Proposal (7 October 2002)
Reference 4	High Level Requirements Specification to Support Modification Proposal P102: Entitlement of Licence Exemptable Generators ("LEGS") to BSC Membership without Evidence of Trading', (P102RS)

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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 P102 during the Assessment Procedure, the P102 Settlement Standing Modification Group (SSMG) recommends that the BSC Panel should:

- **ENDORSE the recommendation of the SSMG and proceed to the Report Phase in accordance with Section F2.7 of the Code;**
- **AGREE that the draft Modification Report contain a provisional recommendation that the Proposed Modification P102 should not be made;**
- **In the event that the Authority determines that the Proposed Modification P102 should be made, AGREE an Implementation Date of 20 days after the Authority decision;**
- **AGREE that the draft Modification Report contain a recommendation that the Alternative Modification P102 should be made and AGREE that the Implementation Date should be 4 November 2003, should the Authority determination be received before 2 May 2003. Should an Authority determination be received after this date, but prior to 22 August 2003 then the Implementation Date should be 24 February 2004;**
- **NOTE that in light of the interaction with P114, "Entitlement of Licence Exemptable Generators ("LEGs") and other non-trading Parties to BSC Membership without Evidence of Trading", should Modification Proposal P114 be Approved P102 becomes superfluous;**
- **AGREE that if approved P102 should be implemented on a Settlement Day basis; and**
- **AGREE that the draft Modification Report be issued for consultation and submitted to the Panel meeting 13 March 2003.**

1.2 Rationale for Recommendations

The SSMG assessed P102 against the Applicable BSC Objectives and considered responses from industry consultation and impact assessment.

Consultation responses indicated that the majority of respondents (9 of 12 Responses, representing 36 of 51 Parties and 4 of 4 non-Parties) felt that P102 would better facilitate Applicable BSC Objective (c) - 'Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity'.

The SSMG agreed that in principle P102 could better facilitate this objective by;

- Providing access to market information, which in turn promotes competition.

However, the SSMG felt that there were potential issues regarding the use of Party status as a means of providing access to this information (concerns which were also expressed in consultation responses). It was felt that the Alternative solution, provision of data via a

licence agreement, would address these issues. It was noted that there was an increased implementation cost associated with the Alternative Modification. However it was felt that this increased cost was justified to avoid a dilution of Party status and ensure the interests of both Parties and non-Parties were protected.

It was the opinion of the SSMG, supported by the consultation responses, that the scope of P102 should be expanded beyond LEGs. However legal advice indicated that this issue could not be addressed under P102. It was the view of the SSMG, that despite its limitation to LEGs, overall P102 Alternative Modification would better facilitate the Applicable BSC Objectives.

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 ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

An electronic copy of this document can be found on the BSC Website at www.elexon.co.uk

3 MODIFICATION GROUP DETAILS

The P02 Assessment Report has been prepared by the Group, and the membership is detailed in the table below.

Member	Organisation	Role
Justin Andrews	ELEXON	Chairman
Thomas Bowcutt	ELEXON	Lead Analyst
Steve Garrett	Slough	Proposer
Ben Willis	Npower	Member
Marie Branch	International Power	Member
Paul Jones	Powergen	Member
Robert Barnett	Campbell Carr	Member
Robert Owens	Marubeni	Member
Sanjukta Round	Cornwall Consulting	Member
Richard Lavender	National Power	Member
Ian Calvert	British Sugar	Member

In addition the following attendees have been present at one or more meetings during the Assessment Procedure:

Member	Organisation	Role
Lisa Waters	Dynegy	Attendee
Phil Russell	TXU	Attendee
David Lyon	Nabarro Nathanson	Attendee
Mark Thomas	Innogy	Attendee
Mark Manley	Centrica	Attendee
Melanie Henry	ELEXON	Attendee
Richard Clarke	ELEXON	Attendee
Melissa Boag	ELEXON	Attendee

The Group met 5 times during the four-month Assessment Procedure for P102.

4 BACKGROUND

Modification Proposal P102 'Entitlement of Licence Exemptable Generators ("LEGs") to BSC Membership Without Evidence of Trading' (P102) was submitted 7 October 2002 by Slough Energy Supplies Ltd. P102 aimed to allow Licence Exemptable Generators (LEGs) to become signatories to the Balancing and Settlement Code ('the Code') on a non-trading basis, thereby obtaining access to non-confidential information only available to registered Parties.

P102 proposed that LEGs be excused the requirement to demonstrate evidence of trading activity, within six months of registration as a Party, as defined in paragraph A 2.6 of the Code. Thereby LEGs would be able to remain Code signatories and receive information only available to Parties, whilst not undertaking any trading activity.

The Initial Written Assessment for P102 (Reference 1) was presented to the Panel on 17 October 2002, where it was agreed that P102 be submitted to a 3-month Assessment Procedure to be undertaken by the Settlement Standing Modification Group (SSMG).

At the first meeting of the SSMG on 24 October 2002 it was decided that the scope of P102 should be extended to include all interested Parties. However it was suggested at the Panel meeting 17 October 2002 that any expansion beyond LEGs could not be covered by an Alternative to P102 and would require a new Modification Proposal. Legal advice was sought to determine whether this extension of the Modification could be made. This advice indicated that it was not possible to extend the scope of the Proposal.

Modification Proposal P114-'Entitlement of Licence Exemptable Generators ("LEGs") and other Non-trading Parties to BSC Membership Without Evidence of Trading' (P114) was submitted 2 December 2002 by the Proposer of P102. The Initial Written Assessment for P114 was presented to the Panel on 16 December 2002, where it was agreed that P114 be submitted to a 2-month Assessment Procedure. It was agreed that the Assessment report for P102 and P114 should be submitted to the Panel in parallel. Therefore the Assessment timetable for P102 was extended such that the Assessment report be presented to the Panel at it's meeting 13 February 2002.

During the Assessment Procedure four possible solutions, to the defect addressed by P102, were identified and developed such that consultation and impact assessment could be conducted. At the meeting of the SSMG on 10 December 2002 the results of these impact assessments and consultation were presented. The SSMG considered the defect P102 attempted to address and concluded that the most appropriate way of addressing the availability of data was via a licensing agreement. It was concluded that this approach should form the basis for the P102 Alternative Modification.

5 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

5.1 Proposed Modification

P102 aimed to allow Licence Exemptable Generators (LEGs) to become signatories to the Balancing and Settlement Code ('the Code') on a non-trading basis, thereby obtaining access to information only available to registered Parties.

P102 proposed that LEGs be excused the requirement to demonstrate evidence of trading activity, within six months of registration as a Party, as defined in paragraph A 2.6 of the Code. Thereby LEGs would be able to remain Code signatories and receive information only available to Parties, whilst not undertaking any trading activity.

The SSMG felt that the provision of information to LEGs would better facilitate BSC Objective (c) – 'Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity'. However it was felt that there were several issues surrounding the use of Party status as a means of accessing information. Particular points considered include:

- The fact that the Code was drafted for Trading Parties (7.1.5);
- control of the data to be made available (Section 7.1.3);
- creation of a subset of the Code (7.1.5);
- impact on BSC Agent contracts (Section 7.2);
- submission of Modifications (Section 6.1.1).

It was also noted that an alternative solution involving the provision of data via a licence agreement could address the issues above.

5.2 Alternative Modification

The Proposed Modification seeks to use Party status as a method of obtaining access to BSC information. It was agreed by the SSMG that an Alternative Modification proposal would better facilitate achievement of the Applicable BSC Objectives as compared to the Proposed Modification.

The Alternative Modification addresses issues surrounding the use of Party status as a method of obtaining access to information. Through the creation of a licence agreement, which LEGs could sign to receive data, issues raised by allowing non-Trading Parties to remain within the Code could be addressed. Therefore it was felt that the Alternative Modification would better facilitate BSC Objective (c) – 'Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity'. It was recognised that there are increased implementation costs associated with the Alternative Modification. However it was felt that these cost were justified to avoid issues surrounding the use of party status to provide access to information (Section 5.1) and also to protect the interest of Trading Parties.

It should be noted that the SSMG felt that making the licence agreement available to any interested person would better facilitate achievement of BSC Objective (c) as compared to

the Alternative Modification. However it was recognised that this was outside the scope of P102 (Section 6.1.2).

6 MODIFICATION GROUP DISCUSSIONS

6.1 Overview of Discussions

The Group's terms of Reference (Reference 2) include a list of criteria that the SSMG have assessed P102 against. An overview of the discussion is detailed in this section.

6.1.1 Obligations and rights of a non-trading Party

Under P102 Parties with no intention of trading would be subjected to the same obligations as any other Party. It was the initial opinion of the SSMG that these obligations may act as a barrier to some of the individuals that P102 aims to benefit. For example LEGs, who could benefit from access to BSC Party information, may be unwilling to sign up to the Code if it involves taking on liability for the actions of trading Parties.

Further analysis of these obligations was completed, areas considered are highlighted below;

- **Claims against BSCCo**

If any Party or Parties were to make a claim against BSCCo the financial consequences of the claim would be borne by all Parties. However costs would be recovered from Parties through charges associated with trading activity. Therefore non-trading Parties would not suffer exposure to any claims made against BSCCo.

- **Liability between Parties**

Each Party indemnifies each other Party against being held liable due to any performance or non-performance of all or any Code obligation of that Party. Again costs are only targeted at Parties through charges associated with trading activity.

Therefore no obligations acting as a barrier to entry for LEGs were identified during the Assessment procedure. Members of the SSMG expressed concern at the ability of non-trading Parties to submit Modification Proposals. Opinion within the group was split on whether it would be desirable to allow non-trading Parties to submit Modification Proposals. The following views were presented;

- Currently any person can sign up to the Code for six months and submit Modification Proposals during this time. Therefore there is no reason why a non-trading Party should not be allowed to do this whilst remaining a Code signatory beyond the six month discontinuation point.
- There are existing methods whereby non-Parties can submit Modification Proposals, for example through a written request from a representative body. However it was noted that there is a certain element of control over these processes that would not be present for non-trading Parties.
- Concern was expressed that non-trading Parties would be able to submit proposals that affect a market in which they are not directly involved.

- The view was presented that the costs of the Modification process are mainly recovered from trading parties. Therefore allowing non-trading parties to remain signatories to the Code and submit limitless Modification Proposals would present a cost to trading Parties.

On consideration the SSMG felt that, although it may be preferable to avoid allowing non-trading parties to submit Modification Proposals, there are sufficient routes available to any person attempting to submit Proposals that this was not a significant issue. It was noted that the alternative approach of providing information through a licence agreement would avoid increasing the ability of non-trading Parties to submit Modification Proposals.

6.1.2 Extension beyond LEGs

The SSMG felt that non-trading status should be made available to other interested Parties if the requirement to commence Trading is to be removed for License Exempt Generators. Consultation responses (Section 7.1) supported this view. However legal advice suggested that the wording of P102 was specific to LEGs, such that any extension to include other interested persons should form a new Modification Proposal and could not be covered by an Alternative. Modification Proposal P114-‘Entitlement of Licence Exemptable Generators (“LEGs”) and other Non-trading Parties to BSC Membership Without Evidence of Trading’ (P114) was submitted 2 December 2002 by the Proposer of P102.

6.1.3 Charging mechanism

Under the Original Solution Proposed by P102 LEGs would be charged at the basic party rate of £250 per month. At the initial SSMG meeting it was suggested that allowing non-trading Parties to remain members of the BSC, whilst only paying the basic monthly rate, effectively results in Trading Parties subsidising non-trading Parties. It was the opinion of some SSMG members that the current mechanism charges new Parties at a reduced rate whilst they establish themselves within the BSC. When the new Party is fully set-up and begins trading the costs of this set-up period will be recovered through increased charges associated with Trading. It was proposed that there is an assumption within the current charging mechanisms that all Parties will eventually commence trading.

Further analysis identified several established Parties, for example non-physical Trading Parties, currently paying the basic monthly rate. As these Parties are entitled to receive the same reports that would be available to non-trading Parties under P102 it could be considered discriminatory for non-trading Parties to pay a higher rate. Some members of the SSMG expressed concern that this £250 per month does not represent the true cost of Code membership and should be changed for current Parties. However it was agreed that this issue was outside the scope of P102. It was the opinion of the SSMG that under the P102 Proposed Modification non-trading Parties should be charged at the basic monthly rate of £250.

Under the Alternative Modification the following factors were considered when specifying a charge mechanism for the licence agreement.

- Charging level should be of the same order as the minimum for Parties.
- An indicated annual operational charge of £5000 to support up to 20 licensees in Central Systems.

- Estimated uptake of the order of 10 licensees.
- Ongoing maintenance of Central Systems (Charged at 14% of the implementation cost).
- Initial implementation costs.
- BSCCo costs for managing Licensees, including:

Initial registration of licensees in Central Systems

Ongoing administration of licensees, including manual provision of historic data.

Invoicing of licensees.

It was estimated that these costs would be of the order of the annual operational charged of the BSC Agent.

- Reduction of administrative work required for an annual rather than monthly fee.

On consideration by the SSMG of the points above it was agreed that the licence agreement should initially include an annual £3000 fee, payable in advance. This charge would cover the operational costs of an individual LEG to both the BSC Agent and BSSCo with any excess contributing to the maintenance and implementation costs of the changes required to Central Systems.

6.1.4 Subset of trading arrangements

The SSMG considered whether the implementation of the Modification Proposal would create a subset of trading arrangements, if non-trading status is not made available to other interested Parties. One potential solution considered by the SSMG was the creation of a 'Non-Trading' Party status (see Annex 2). Specific sections of the Code would then be targeted at these 'Non-Trading' Parties. However concern was expressed that should 'Non-trading' Parties be identified within the Code, and certain obligations and rights targeted at these Parties, this could dilute the Code. The view was presented that this could set a precedent whereby other Party types may be of the opinion that sections of the Code should not apply to themselves. It was Agreed by the SSMG that these issues could be addressed through the creation of a licence agreement, outside the Code, providing access to BSC information.

6.1.5 Differentiation between LEG Parties and other Parties

Under the current Code baseline there is no definition of a Licence Exempt Generator. In order to implement P102 it is necessary to recognise LEGs within the Code. The SSMG agreed on a definition of a LEG as a person producing electrical power, but exempt from holding a Licence under the Electricity Order 2001 (Section 15).

6.1.6 Alternative ways of making data available

During the Assessment procedure several different solutions to the defect raised by P102 were considered (Annex 2). It was the view of the SSMG that the most suitable alternative to the method proposed by P102 would be a licence agreement which LEGs could sign in

order to obtain access to BSC data (Appendix 1). It was felt that a licence agreement would provide a clear and transparent way for LEGs to obtain access to information.

Although it was recognised that the costs associated with implementing a licence agreement were significantly more than for the Proposed Modification it was felt that these were justified for the additional protection of Party interests and status provided by this approach. Therefore it was agreed that a licensing approach should form the Alternative Modification. Annex 4 of this document outlines the licence requirements specified by the SSMG and for information an initial draft licence agreement is included. Should P102 Alternative be Approved final drafting of the licence agreement would be completed prior to implementation.

6.1.7 Disincentive to trade

It was felt by some members of the SSMG that implementation of P114 could potentially lead to a reduction in the level of Balancing Services made available to the Transmission Company. Large demand sites, currently offering Balancing Services through the Balancing Mechanism, may be visible in some reports as individual BMUs. If information on these BMUs were easily available to large demand site's competitors these BMUs may be removed from the Balancing Mechanism. Potentially this could lead to a reduction in the level of Balancing Services available to the Transmission Company. This was not considered a significant issue by the SSMG. However an industry view was obtained via a second consultation.

6.1.8 Volumetric

In light of the potential impact on service infrastructure highlighted by the BSC Agent (Section 7.2) the SSMG considered the likely uptake of Party status or licence agreement on implementation of either P102 Proposed or Alternative Modification. It was the view of the SSMG that uptake was unlikely to produce a requirement for more than 10 new FTP accounts in Central Systems (either Party or Licensee accounts). This estimate was based on the experience of SSMG members involved with the type of organisations interested in the information available to LEGs under P102. However the group recognised that there was a large element of uncertainty in this estimation.

Under the Alternative Modification the SSMG felt it would be possible to minimise impact on service infrastructure. Under the licence agreement it would be possible for LEGs to nominate a third party, also licensed, to receive data on their behalf. It was envisaged that this would lead to data processing agents being set up. These data processing agents would download and pre-process data on behalf of several LEGs. Pre-processing would be desirable due to the extensive nature of the reports to be made available under P102. These nominated third parties would be bound by the conditions of the licence agreement (Annex 4) and would only be able to provide data to fellow licensees.

6.1.9 Interaction with Modification Proposal P103

During the Assessment procedure P102 was considered alongside Modification Proposal P103-'Re-specification of Trading Data' (P103). P103 seeks to publish BSC data (some of which would be available to LEGs under P102) on the BMRS in a format that is easily utilised. If P102 were implemented it would allow LEGs to obtain long-term Party status and thereby the right to use data published on the BMRS. Therefore P102 would make it easier

for LEGs to gain access to the benefits of P103. However the SSMG felt there was no dependency of P102 on P103 or visa versa.

6.1.10 Interaction with Modification Proposal P114

The SSMG recognise that should Modification Proposal P114 be Approved P102 becomes superfluous. However it was agreed that when assessed on it own merits P102 would better facilitate the Applicable BSC Objectives. Therefore the Group felt that P102 should be recommended for Approval, noting the interaction with P114.

6.1.11 Implementation

The SSMG considered whether, if approved, P102 should be implemented on a Calendar or Settlement Day basis. It was agreed that both the Proposed and Alternative Modifications should be implemented on a Settlement day basis. This means that only reports that relate to Settlement Days post implementation would be made available through Central Systems. However it was noted that historic data would be made available via the manual process currently employed for Trading Parties.

7 MODIFICATION GROUP ANALYSIS OF THE CONSULTATION RESPONSES AND IMPACT ASSESSMENTS

7.1 Summary of the Consultation Responses

Consultation responses (Annex 1) were obtained from both Parties and non-Parties potentially affected by P102. In total 12 responses were received, representing 51 Parties and 4 non-Parties (one no comment also received). Views obtained and responses from the SSMG follow.

7.1.1 Solutions

Four potential methods of making data available to LEGs were presented (Annex 2) and respondents were asked to indicate their preferred solution. No overwhelming preference for any of the solutions was indicated in the consultation responses. However Party responses demonstrated a slight preference for a licensing agreement. Non-Parties on the other hand favoured removal of the requirement to trade. It was the SSMG's view that none of the potential solutions should be ruled out due to consultation responses alone.

7.1.2 Data Provision

The consultation document asked whether respondents supported the principle of provision of data to LEGs. 10 of 12 respondents (representing 41 of 51 Parties and 4 of 4 non-Parties) supported the provision of data to LEGs. One of the respondents objected to the provision of data to LEGs alone but supported the principle of data provision if this was not limited to LEGs.

The following issues were raised;

- Several respondents agreed with the provision of data to LEGs but felt the scope should be expanded to all interested persons. The SSMG agreed with this view but

noted the legal opinion that any extension beyond LEGs could not be addressed under P102 (section 6.1.2).

- One respondent felt that no justification had been given of why LEGs would need BSC data and therefore could not support the provision of such data. However the SSMG felt that if LEGs are interested in the data it should be made available to them and that it is for LEGs themselves to decide whether the data is useful or not. It should also be noted that a paper discussing barriers facing LEGs under NETA was attached to the P102 Modification Proposal (Reference 3) on submission. This paper outlined why LEGs are interested in accessing BSC data.

7.1.3 Data issues

Respondents were asked if they had any issues with the data which would potentially be available to LEGs under P102, (this data included all reports in Section V of the Code that are available to any Party on request). Responses were split with 6 of 12 responses (representing 46 of 51 parties and 0 of 4 non-Parties) identifying issues with the data made available under P102.

Specific areas of concern raised during the consultation are highlighted below;

- The point was made that the Electricity Association may have an issue with Market Domain Data being released more widely as this contains profiling regression coefficients, which may be the intellectual property of the Electricity Association. However the SSMG noted that a cut down version of this data, excluding profiling regression data, is available to any person on request. Therefore it was agreed that it would not be necessary to provide this report under a licence agreement approach.
- One respondent felt that the System Operator version of the Settlement report would provide LEGs with sufficient information and that it would not be necessary to make other reports available (Appendix 1). It was the view of the SSMG that there was information within the CDCA reports (Appendix 1) that could be of interest to LEGs and that these reports should be made available.

It was noted by the SSMG that the Alternative Modification would allow specific reports to be made available to LEGs addressing the issues above. However under the Proposed Modification there would be no control over which reports would be available.

7.1.4 Modification Proposals

Respondents were asked whether they felt it would be appropriate for non-trading Parties to be capable of submitting Modification Proposals. 8 of the 12 respondents (representing 48 of 51 Parties and 0 of 4 non-Parties) felt it was not suitable for non-trading Parties to be able to submit Modification Proposals. No significant issues, which had not previously been considered by the SSMG, were raised (section 6.1.1).

7.1.5 Objectives

Respondents were asked whether they felt P102 would better facilitate the Applicable BSC Objectives. 9 of the 12 respondents (representing 36 of 51 Parties and 4 of 4 non-Parties) felt that P102 would better facilitate the Applicable BSC Objectives. The majority of

responses agreed with the SSMGs view that the provision of data better facilitates the Applicable BSC Objectives. However the following points were made by the minority of respondents who were of the view that P102 does not better facilitated the Applicable BSC Objectives;

- The view was offered that P102 is discriminatory in that it was limited to LEGs. There was support for this view from the SSMG, however legal advice on any extension beyond LEGs was noted (section 6.1.2).
- One respondent felt that Party status should not be used to access information and that only an alternative method of supplying data would better facilitate the applicable BSC Objectives.
- The point was made that P102 creates a precedent by creating a subset of the trading arrangements that applies to categories of Parties. The respondent felt that NETA was created to ensure equal treatment and transparency for all Parties and that P102 works against this principle. It was noted by the SSMG that this issue would be addressed under a licensing solution.

It was agreed by the SSMG that a licence agreement would address the majority of concerns expressed in the consultation and therefore maintained the view that the Alternative Modification better facilitates the Applicable BSC Objectives.

7.2 Summary of Impact Assessments

This section summarises results of impact assessments of both the Proposed and Alternative Modifications.

7.2.1 Proposed Modification

7.2.1.1 *Party*

Nine responses on behalf of 20 Parties were received (one no comment also received). 8 of 9 responses indicated no impact on Parties or Party agents resulting from implementation of the Proposed Modification had been identified. One respondent indicated that 10 working days notice would be required prior to implementation of the Proposed Modification.

7.2.1.2 *BSC Agent*

No changes to Central Systems were specified under the Proposed solution, therefore it was envisaged that the Proposed Modification would not impact BSC Agents. However a potential impact on the service infrastructure was identified. Initial BSC Agent impact assessment stated that allowing non-trading LEGs to remain signatories could result in an influx of new Parties acceding to the Code. Under this assumption a cost was indicated that included the requirement to upgrade service infrastructure to support materially more network traffic than is currently provided for. It was the view of the SSMG that likely uptake of Party status should P102 Proposed Modification be implemented would be unlikely to result in the level of network traffic assumed by the service provider (Section 6.1.8). Therefore should P102 Proposed Modification be implemented it is not intended that any upgrade to service infrastructure be commissioned.

Should the uptake of Party status due to P102 exceed expectations an upgrade to service infrastructure may be required at a later date. Under the Proposed Modification there would

be no way of identifying whether any requirement to upgrade service infrastructure was generated by non-trading LEG Parties or Trading Parties. Should BSCCo be required to commission an upgrade to upgrade service the cost for an increase in the number of Parties could be significant. However if the alternative approach were taken of implementing a separate contractual limit on licensees (as proposed under the Alternative Modification) these costs would be reduced and could be targeted effectively.

7.2.1.3 **BSCCo**

BSCCo internal assessment identified the following impacts;

- **Finance**

Concerns were raised about using Party status to allow access to BSC information. A preference for making data freely available (i.e. no impact on Finance) was indicated. However the SSMG felt that LEGs should contribute in some way towards the costs of making data available.

- **Legal**

BSCCo Legal department felt that there were issues around removing the obligation to trade outlined in Section A 2.6.1. It was felt that one purpose of this provision is to restrict the proliferation of Party status to persons who have no intention to engage in trading activities under the Code. The view was presented that excusing a subset of Parties the obligation to trade was an unnecessary dilution of Party status.

- **CVA Programme**

Estimated effort 12 man-days to implement documentation updates. With an implementation timescale of at least 20 working days after an Authority decision required.

- **Assurance**

Minor impact on BSC Business Process Model & Register of Obligations identified. Estimated effort 1 man-day.

7.2.2 **Alternative**

7.2.2.1 **Parties**

Nine responses on behalf of 20 Parties were received (one no comment also received). 8 of 9 responses indicated no impact on Parties or Party agents resulting from implementation of the Alternative Modification had been identified. One respondent indicated that 10 working days notice would be required to implement the Alternative Modification.

7.2.2.2 **Logica**

Initial costs indicated for the changes required to Central Systems to support the Alternative Modification are summarised below:

- **Change Specific Costs = £36,725**

Change Specific Cost is the marginal cost of including these changes in a standard BSC Systems Release.

- **Project Overhead = £111,104**

If the Modification is not implemented as part of one of the standard BSC Systems Releases then the 'Project Overhead' must be added to the Change Specific Costs to arrive at the Total cost.

- **Total Cost = £147,829**

Total Costs = Change Specific + Project Overhead. The actual cost of implementing a change were included as part of a standard BSC Systems Release is normally made up of the Change Specific costs plus some small fraction of the Project Overhead.

- **Annual Maintenance cost = £20,696**

Annual Maintenance costs is calculated as a standard percentage (14%) of the Total cost.

- **Annual Operational costs = £5000 per annum to administer up to 20 licensees**

As for the Original Modification a potential impact on communications was identified. BSC Agent initial impact assessment stated that providing FTP accounts to licensees would put increased stress on Central Systems, which could result in the requirement to upgrade communications infrastructure. However under the Alternative Modification it would be possible to identify whether individual FTP accounts belonged to LEGs or Parties. Therefore it is possible to implement a separate contractual limit on the number Licensees registered in Central Systems. BSCCo felt that this would put them in a more manageable position in the future should it be necessary to increase this limit or the limit for BSC Parties. It was felt that this could prevent significant costs being occurred in the future, should the uptake of the licence agreement exceed initial expectation.

7.2.2.3 BSCCo

BSCCo internal Assessment identified the following impacts;

- **Market Entry**

BSCCo market entry department would be required to implement new processes to deal with the initial registration of licensees. The point was made that it is vital to ensure that Licensees have restricted access to Central Services in order to maintain security. Therefore the solution which provides read only access to the FTP server was preferred (Annex 3- Solution 3a(ii)).

6 weeks work required implementing updates to local working instructions and processes in support of the Alternative Modification.

- **CVA Operations**

BSCCo CVA Operations department did not support the use of Party status as a method to obtain access to data. Also it was felt that, as it is not practical to distribute S0142 reports manually, only a solution which distributes these reports through Central Systems would be workable.

To support the operation of any form of licence agreement a new process would be required to manage operational issues and to deal with the ongoing administration. Up to one quarter full time equivalent would be required to cover this role.

The point was raised that currently SAA reports, that would be available under P102, are only available for 7 days via FTP download. Historic data is provided to Parties on request and consists of upwards of six CDs. Therefore any charge to licensees should reflect the increased impact if historic data were to be made available to licensees.

8 weeks work required implementing updates to local working instructions in support of the Alternative Modification.

- **Finance**

BSCCo finance department would be required to invoice licensees. No additional costs were identified, although this could change if there was substantial uptake. It was felt that any licence agreement should specify an annual fee, as this would generate less work than collecting a monthly payment. Also data should not be supplied until the first annual payment had been received.

- **CVA Programme**

Estimated effort 65 man-days effort to implement documentation updates. An implementation time-scale of 26 weeks, after an Authority decision, required for the Alternative Modification.

- **Legal**

Estimated effort 6 man-days to complete drafting of the licence agreement. An initial draft of the licence agreement is included in this document (Annex 4).

- **Assurance Dept**

Minor impact to update BSC Business Process Model & Register of Obligations. Estimated effort 1 man-day.

8 IMPACT ON BSC AND BSCCO DOCUMENTATION

This section describes the changes required to the BSC in order to effect P102.

8.1 Proposed Modification

8.1.1 BSC Section A: "Parties and Participation"

Paragraph 2.6- "Withdrawal of a Party which does not commence trading"

LEGs would be excused Paragraph 2.6, such that LEGs would be able to remain a Party without demonstrating trading activity.

8.1.2 BSC Section X: "Definitions and Interpretations"

Table X-2- "Terms and Expressions Applying Except in Relation to Section S"

The term LEG to be defined.

8.2 Alternative Modification

8.2.1 BSC Section V: "Reporting"

Paragraph 3.2- "Reports"

Updated to include responsibilities of BSCCo in provision of data to Licensees.

Annex V-1- "Table of reports"

Updated to identify reports to be made available through the Licence Agreement.

8.2.2 BSC Section X: "Definitions and Interpretations"

Table X-2- "Terms and Expressions Applying Except in Relation to Section S"

The term LEG defined.

Definition of Licensed Data Person, as a person who has entered into a licence agreement with BSCCo, added.

9 IMPACT ON BSC SYSTEMS

9.1 Proposed Modification

No changes to Central Systems would be required in support of the Proposed Modification. However should the implementation of P102 lead to an increase in BSC Signatories resulting from LEGs acceding to the Code in order to obtain access to data there would potentially be a requirement to renegotiate BSC Agent contracts.

9.2 Alternative Modification

Changes to Central Systems would be required to support the Alternative Modification are as follows (Annex 3);

- New role in CRA created
- Each licensee registered in Central Systems would have a read only FTP account (High/Low grade).
- S0142 report (See Appendix 1) made available from shared area as for Parties.
- CDCA flows (See Appendix 1) available in the same manner as S0142 (i.e. for signatories and Parties), creating three new shared access directories.
- Signatories do not require ability to encrypt/decrypt, nor validate sequence numbers, or ability to send response files

10 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS

No impact on Core Industry Documents or supporting arrangements was identified for either the Proposed or Alternative Modification.

11 IMPACT ON BSSCO

11.1 Proposed Modification

Should a Party not demonstrate evidence of Trading Activity within 6 months of accession to the Code BSSCo will be required to determine whether that Party is a LEG prior to Discontinuing that Party. BSSCo will contact a party prior to Discontinuation (as occurs currently) the requirement will be on the Party to demonstrate LEG status. Therefore it will not be necessary for BSSCo to maintain a register of LEGs.

11.2 Alternative Modification

- BSSCO will be required to draft a licence agreement. An outline of the requirements and an initial draft has been included in this document (appendix 4).
- BSSCo would be required to develop a new process to support the registration of licensees with the new role code in Central Systems.
- BSSCo would be required to undertake the ongoing administration of the licensing process. This would include the manual provision of historic data as occurs for Parties.
- BSSCo would require a new process for invoicing licence agreement signatories.

12 IMPACT ON PARTIES AND PARTY AGENTS

No impact on existing Parties and Party agent was identified for either the Proposed or Alternative Modification.

13 IMPACT ON TRANSMISSION COMPANY

No impact on the Transmission Company was identified for either the Proposed or Alternative Modification.

14 PROJECT BRIEF

The detailed costs and timescales in this Report are based on the costs and timescales received from the BSC Agents (specifically the CRA and CDCA), BSSCo and Parties.

Should the Authority approve P102 Alternative Modification a Project will be required for implementation of the changes required to:

- develop the changes to the CRA software required to implement the Proposed Alternative Modification;
- implement the necessary changes to the Code Subsidiary Documents and other configurable items;
- develop changes required to BSSCo internal process to support the Alternative Modification; and
- finalise drafting of the Licence agreement required to implement the Alternative Modification.

The BSC Agent has provided costs and time-scales for the development of the changes to the CDCA documentation, CRA documentation and software required to implement the Proposed Modification. The BSC Agent estimates that the development would take approximately 12 weeks and will cost approximately [TBC].

Annual Operation and maintenance costs would be [TBC].

BSSCo will be responsible for managing implementation of the Alternative Modification and will require an additional 14 weeks after the completion of development to complete testing activities.

BSSCo estimate a total of 135 man days is required to deliver the Project. This includes 65 days effort on behalf of the CVA Programme, 30 from Market Entry, 40 from Operations and an additional 6 from Legal.

15 PROPOSED TEXT TO MODIFY THE BSC

The following sections include the legal drafting for the Proposed Modification and the Alternative Modification. Both sets of legal drafting will be sent out for consultation before the Modification Report is submitted to the March Panel meeting.

15.1 Proposed Modification

See attached document: P102_ASS_ALT-LegalText-13012003 V2.pdf

15.2 Alternative Modification

See attached document: P102 PRO- LegalText-13012003 V1.pdf

ANNEX 1 P102 CONSULTATION RESPONSES

See attached document [Consultation responses are not attached to this draft]

ANNEX 2 SOLUTIONS CONSIDERED DURING ASSESSMENT OF P102

Five potential solutions were considered during assessment of P102 as described below;

- **Remove the requirement to commence trading for LEGs**

This solution forms the Original Modification as discussed in this document.

- **'Non-Trading' Party status**

This solution involves the creation of a new class of Party, that of 'Non-Trading' Parties. This classification of Party would be excused the obligation to commence trading, within 6 months of accession to the Code. By identifying 'Non-Trading' Parties within the Code, specific charges and obligations could be targeted at these Parties. On consideration of the BSC Agent initial impact assessment for this solution the SSMG rejected this approach. It was felt that this solution failed to address several issues (Section 6.1.4) removed by a licence agreement approach and offered negligible cost benefit.

- **Licence agreement**

Under this proposal a licence agreement would be created which LEGs could sign in order to receive BSC data. This solution forms the Alternative Modification as discussed in this document.

- **Remove Trading Data Confidentiality**

By removing confidentiality clauses, relating to Trading Data, from the Code, such information could be made available to any interested person. Capacity already exists within the Code to supply data to third parties on request. This solution was rejected by the SSMG as, although it would provide LEGs with the right to access BSC information, it failed to address the practical issue of how this data would be provided. It was also felt that there were legal issues surrounding removal of data confidentiality.

Impact Assessments (Section 7.2) and Consultation (Section 7.1) for each of these solutions was completed during the Assessment procedure. For further details of the solutions considered refer to the 'High Level Requirements Specification for P102' (Reference 4). On consideration of costs indicated in the BSC Agent impact assessment the SSMG also developed a fifth solution as outlined below;

- **Licence agreement-No Central System Changes**

This solution was developed by the SSMG in light of the costs involved with making changes to Central Systems along with the preference for a licensing approach. This process is outlined below:

- LEGs sign a Licence Agreement.
- Reports to be distributed through Low-grade service, therefore FTP accounts are required for each Licence signatory.
- Each licence signatory is registered in CRA as a new BSC Party, thereby obtaining an FTP Account.
- BSCCo manage these Licence Agreement signatories and are aware of non-Party status.

- BSC Agents are unaware of non-Party status, therefore no changes to Central Systems are required.
- BSCCo collect payment from licensees.
- BSCCo ensure non-Parties do not exceed the rights given to them under the Licence agreement due to being registered in Central Systems with Party status.

BSCCo impact assessment (see below) of this solution by BSCCo indicated that this solution was not workable and presented a risk to the integrity of Central Systems. It was felt that using a new category to register licensees would be the preferred solution as this would give those in this category limited rights (i.e they will purely have access to certain specified flows from Central Systems). If an existing category were to be used, these participants would receive the rights allocated to that particular category. For example they may be able to submit ECVNA/MVRNA authorisations and/or register metering systems with the CRA. Any solution, which registers non-Parties in Central Systems, with Party status, relying on BSCCo to ensure that this status was not abused, would be unmanageable. Therefore a licence agreement would only be workable if new Role codes and suitable process to recognise licensees are put in place by the BSC Agent. On consideration of the views of BSCCo the SSMG rejected the idea of a licence agreement without system changes.

ANNEX 3 IMPACT ASSESSMENTS

- Party

See attached document [Impact responses are not attached to this draft]

- BSC Agent Impact Assessment

[BSC Agent Impact Assessment is not included in this draft]

ANNEX 4 DRAFT LICENCE AGREEMENT

The precise contents of the licence agreement required under the Alternative Modification is an issue for implementation. However the following areas would be considered during drafting:

- **Confidentiality**

The confidentiality obligations of non-Parties signed up to the licensing agreement will be similar to those of Parties signed up to the BSC. Therefore the confidentiality terms within the licensing agreement would mirror similar obligations within the Code. This would include the requirement to use data only for the purpose of supply and generation of electricity in the United Kingdom.

- **Information Provided**

This would include reports detailed in Section V of the Code that are currently available to all Parties (see Appendix 1). Historic versions of this data would be made available using the manual process currently used for Parties.

- **Cost recovery**

Licensee would be required to pay an annual fee covering the costs of providing data. Initially this fee would be at a level comparable to the £250 basic monthly charge paid by Parties.

- **Termination**

BSSCo will have the ability to terminate the agreement with any licensee on any breach by that licensee. BSSCo will also be able to terminate the agreement for Code reasons (For example a Modification affecting licensing is implemented). Panel approval may be required prior to termination to ensure that the termination process is transparent.

- **Changes to Licence agreement**

Panel approval will be required for any changes to the standard licence agreement.

- **Third party access**

Facility will be included in the licence for provision of data via a third party. This will allow data provision services to be set up such that data can be pre-processed on the behalf of licensees. A potential benefit of this approach is that there would be fewer licensees physically accessing Central Systems and therefore a reduction of the impact on service infrastructure.

For information an initial draft licence agreement has been included in this document (See attached document [\[Draft Licence Agreement not attached to this draft\]](#)).