

Modification Proposal

MP No: 102
(mandatory by BSCCo)

Title of Modification Proposal (mandatory by proposer):

Entitlement of Licence Exemptable Generators ("LEGs") to BSC Membership Without Evidence of Trading

Submission Date (mandatory by proposer): 7 October 2002

Description of Proposed Modification (mandatory by proposer):

To alter the current conditions of paragraph 2.6 of Section A of the BSC related to "Withdrawal of a Party which does not commence trading" to allow full access to market data. This condition of the BSC currently requires that BSC Parties commence trading activities within six months of joining the BSC. Evidence of the commencement of trading is by completion of one of the following steps (2.6.3 of Section A):

- an application to register a Metering System;
- an application to register a BM Unit;
- a submission of any Energy Contract Volume Notification or Metered Volume Reallocation Notification;
- the appointment of such Party as Interconnector Administrator or Interconnector Error Administrator in relation to one or more interconnectors.

In the event that none of these steps are taken within the six month period, the following action will be taken (2.6.1 of Section A) in order to classify the Party as a "Discontinuing Party" :

- BSCCo shall give notice to that effect to such Party; and
- such Party shall automatically cease to be a Party (and cease to be a party to the Framework Agreement) with effect one month after the date on which BSCCo gives such notice (and such Party shall be treated as being a Discontinuing Party and as having withdrawn from the Code for the purposes of paragraph 5.3.1(a)).

We propose that LEGs should be entitled to remain BSC Parties notwithstanding that none of the steps referred to above are taken. The LEG would be charged a fee to cover the administration costs of becoming a signatory to the BSC on such a non trading basis.

Description of Issue or Defect that Modification Proposal Seeks to Address (mandatory by proposer):

With the advent of NETA, some consideration was given to how market data could be made publicly available. The Balancing Market Reporting System (BMRS) provides, free-of-charge, a range of information. This includes final physical notifications, imbalance price data and the anticipated net system imbalance for each half-hour.

The BMRS provides information in advance of and shortly after real-time. However, out-turn information (such as actual system imbalance and actual generation) is not published.

Other data of commercial relevance to LEGs, including the half-hourly transmission loss and 'beer fund' values, and the net metered and imbalance position of market participants, is restricted to BSC Parties. Such data is not deemed commercially confidential, as information relating to every BSC Party is available to every other BSC Party (in the form of the "SO142" report). However, non-Parties have no access to such data. This is in contrast with the Pool, where ESIS provided a similar set of data (including generator bid prices) to all paying subscribers.

Knowing the metered quantities and the imbalance position of potential contracting counterparties would

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substantially assist LEGs in determining who is in a position to contract with them and to better understand the trading position of that counterparty.

The vast majority of LEGs, as under the Pool, choose to contract under Supplier Volume Allocation (SVA) with a licensed supplier, rather than become a BSC Party and trade directly within the NETA markets. This is mainly because of the large fixed costs and administrative burdens that are infeasible for most small generators. However, in choosing this path, they are restricted from accessing vital market information. The dilemma for LEGs is that the only way of accessing this information is by embarking on a route to market that, as under the Pool, is uneconomic for the vast majority. Hence, the current arrangements directly imply an unjustified cost on LEGs wishing to access market data. We see no reason for not allowing LEGs to take out BSC membership without having to commence trading (as presently defined in the BSC) whilst still selling their export to suppliers under SVA. A copy of a report by Ilex Energy Consulting which explains administrative barriers facing licence-exempt generation under NETA is attached.

Impact on Code *(optional by proposer):*

Impact on Core Industry Documents *(optional by proposer):*

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties *(optional by proposer):*

Impact on other Configurable Items *(optional by proposer):*

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Justification for Proposed Modification with Reference to Applicable BSC Objectives (mandatory by proposer):

The Applicable BSC Objectives are set out in paragraph 3 of Condition C3 of the Transmission Licence, as follows:

(a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;

N/A

(b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;

N/A

(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;

Making available crucial market information to LEGs for whom trading activities as a BSC signatory is not a practical option, will assist in creating a fairer negotiating position for these LEGs. It will also enable LEGs to verify independently the benefits of particular supplier contracts or consolidation benefits where the counterparty is a BSC Party and is in possession of such information.

The effect of the inequality of market information available to LEGs who do not trade as BSC signatories as opposed to their contracting counterparties who are signatories, is one of a range of barriers faced by LEGs. It is an unequal and unfair aspect of the NETA market structure that such information, which is not confidential, should be available to one contracting party, but not the other. The effect of this barrier, with others, has been to contribute to disproportionate and damaging effects which NETA has had upon LEGs. This has resulted in withdrawals from the LEG sector and extreme financial consequences for that sector which threaten its continued participation in the generation market and its contribution to competition.

(d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

BSC modification P50 sought to introduce summary reports of market data for both BSC Parties and non-Parties. This was rejected on the grounds of the cost of producing such reports. This modification proposal will achieve the objectives of data access and data transparency without incurring significant cost to existing BSC Parties. Indeed, as LEGs will need to incur the costs of gaining BSC membership, they will contribute towards any minimal increase in costs that may be incurred in making the market information available to a wider group of participants.

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Name:

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Attachments: Yes

If Yes, Title and No. of Pages of Each Attachment:

"Contractual and Administrative Barriers facing Licence-Exempt Generators under NETA" 30 pages