



## CP Progression – CP1348

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<b>Meeting Name</b>	Supplier Volume Allocation Group
<b>Meeting Date</b>	Ex-Committee – response requested by 5pm on 13 June 2011
<b>Purpose of paper</b>	For Decision
<b>Summary</b>	This report provides details of the background, solution, industry views and impacts of CP1348 - Supplier Charges following implementation of CP1334 'New PARMS Serials'. The SVG is requested to consider the report and reach a decision on whether to approve the CP.

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### 1. Why Change?

#### 1.1 Background

- 1.1.1 [CP1334](#) 'New PARMS Serials' was raised to progress the outcomes of the PARMS Serials Review. CP1334 was endorsed by the Performance Assurance Board (PAB) at the July 2010 meeting ([PAB114/06](#)) and approved by the Supplier Volume Allocation Group (SVG) in August 2010 ([SVG114/02](#)) with an implementation date of 01 July 2011.
- 1.1.2 CP1334 removes a number of existing PARMS Serials and introduces a set of new serials recommended by the PARMS Serials Review. Following 1 July 2011, the old serials will no longer be valid or used for the purposes of reporting performance.
- 1.1.3 Supplier Charges are liquidated damages that Suppliers incur if they fail to meet certain performance levels. The PARMS software calculates the Supplier Charges due each calendar month, which are presented to the PAB for approval.
- 1.1.4 One of these Supplier Charges, SP01, is levied against Suppliers who fail (themselves or via their agents) to provide a complete set of PARMS reports within 20 Business Days after the end of each month, in line with Annex S1 of the BSC. The charge continues to be applied until the reports are received.

#### 1.2 What is the issue?

- 1.2.1 While carrying out the necessary activities to implement CP1334, we consulted with ELEXON's Senior Legal Advisor, who advised that it would be incompatible with the implementation of CP1334 for Suppliers and agents to be obligated to continue to submit the redundant serials following the new serial effective from date.
- 1.2.2 A paper was presented to the PAB in March 2011, requesting approval to remove the SP01 Supplier Charges for the redundant serials, following the implementation of CP1334 on 1 July 2011 (PAB122/10). The PAB approved the approach but requested clarification be sought as to whether this was permissible under the provisions of the BSC and relevant BSCP.



- 1.2.3 The intended approach cannot fully be realised under the existing wording of BSCP533<sup>1</sup> and its Appendices. Therefore CP1348 was raised to change these documents to allow the removal of SP01 Supplier Charges for the redundant serials following the implementation of CP1334 on 1 July 2011.

## 2. Solution

- 2.1 CP1348 'Supplier Charges following implementation of CP1334 'New PARMS Serials'' was raised on 6 May 2011 and issued for impact assessment (via CPC00697). It proposes to make amendments to BSCP533 and Appendices such that, following the implementation of CP1334 and the introduction of the new PARMS Serials, SP01 Supplier Charges will no longer apply to the redundant serials.
- 2.2 CP1348 will amend BSCP533 Appendix B<sup>2</sup>, Section 2.6 to specify the periods for which SP01 charges can be levied for both new and redundant serials.
- 2.3 CP1348 will also remove BSCP533 Appendix C<sup>3</sup> and make minor changes to BSCP533 and BSCP533 Appendix A<sup>4</sup> to remove references to Appendix C. Appendix C will no longer be required as it was created to store the file formats and calculation guidelines of redundant serials to allow them to be submitted and SP01 Completeness Checking to continue.

## 3. Industry Views

- 3.1 CP1348 was issued for Impact Assessment via CPC00697. We received 6 responses of which 4 agreed with the proposed changes and 2 were neutral. The breakdown of responses is shown in the Table 1, below, and the full collated participant responses to CP1348 are available on the ELEXON website [here](#).

**Table 1 – Summary of Impact Assessment Responses Received**

Respondent Role	Respondent Support		
	Yes	No	Neutral
Suppliers	2	0	0
Distributors	1	0	2
Mixed (i.e. two or more of Supplier, Generator, Trader, Party agent or Distributor)	1	0	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>2</b>

- 3.2 One respondent indicated that this change would take 60 days to implement. ELEXON contacted this party and was informed that this time period related to the changes to the PARMS serials under CP1334. After discussing the change in more detail, the party agreed that the specific changes under CP1348 would require minimal additional implementation time or effort.

<sup>1</sup> PARMS Data Provision, Reporting and Publication of Peer Comparison Data

<sup>2</sup> PARMS Calculation Guidelines

<sup>3</sup> PARMS Data Provider File Formats and Calculation Guidelines for Obsolete PARMS Serials

<sup>4</sup> PARMS Data Provider File Formats



- 3.3 All other respondents who provided comments indicated that there would be minimal or no impact of implementing this change as minimal or no changes to systems or processes would be required. The respondents indicated that this change seemed a sensible approach to take.

### 3.4 Comments on the Proposed Redlining

- 3.4.1 We received no comments identifying typographical errors in the drafting.

## 4. Intended Benefits

- 4.1 CP1348 will reduce the high levels of uncapped SP01 charges currently incurred by inactive Suppliers and Supplier Agents. Following the June 2011 reporting period, the PAB will not be using the redundant Serials for further performance monitoring and therefore it seems illogical to continue to apply SP01 Supplier Charges to these serials.
- 4.2 The reduction in the large amounts of uncapped SP01 Charges would allow both the PAB and Suppliers to better monitor performance, thereby allowing the PAB to more closely monitor parties failing in their obligations and, if necessary, seek rectification plans.
- 4.3 It may also act as a further incentive to encourage parties to submit files within the timescales as they will start with a 'clean slate' with the new PARMS Serials and therefore provide them with an opportunity to keep their Supplier Charges low.

## 5. Impacts and Costs

- 5.1 Table 2 below summarises the ELEXON effort required to implement CP1348 and the Impact on market participants.

**Table 2 – Impacts on ELEXON and relevant Market Participants**

Market Participant	Cost/Impact	Implementation time needed
ELEXON (Implementation)	Our implementation cost is 1 man day of effort (equating to £240). The effort includes applying the proposed changes to BSCP533 and Appendices and updating internal LWIs.	01 July 2011 (as part of the June 2011 release) is suitable.
DC/DAs	Minimal impact	01 July 2011 (as part of the June 2011 release) is suitable.
LDSO, DNO	Minimal impact	01 July 2011 (as part of the June 2011 release) is suitable.
Supplier	Minimal impact	01 July 2011 (as part of the June 2011 release) is suitable.



- 5.2 Whilst there are currently significant uncapped SP01 charges, it should be noted that the total capped charges in recent months have only slightly exceeded the total uncapped charge for all serials excluding SP01. Therefore, the material impact following this change on parties is expected to be minimal.

## 6. Implementation Approach

- 6.1 The changes in CP1348 require implementation at the same time as CP1334 to provide consistency and reduce possible confusion.

## 7. Recommendations

- 7.1 We invite you to:
- a) **AGREE** the proposed amendments to BSCP533, Appendix A and Appendix B, and the removal of Appendix C; and
  - b) **APPROVE** CP1348 for implementation alongside CP1334 on 01 July 2011, as part of the June 2011 Release.

### Attachments:

Attachment A – BSCP533 Redlined changes

Attachment B – BSCP533 Appendix A Redlined changes

Attachment C – BSCP533 Appendix B Redlined changes



For more information, please contact:

**Oliver Meggitt**

**Settlement Analyst**

[Oliver.Meggitt@elexon.co.uk](mailto:Oliver.Meggitt@elexon.co.uk)

020 7380 4143