

Responses from P61 Assessment Consultation

Consultation issued 4 March 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	London Electricity	P61_ASS_001	6
2.	TXU Europe	P61_ASS_002	20
3.	National Grid	P61_ASS_003	1
4.	British Energy	P61_ASS_004	3
5.	GPU Power UK	P61_ASS_005	1
6.	Seeboard	P61_ASS_006	2
7.	Scottish & Southern Energy	P61_ASS_007	4
8.	Scottish Power	P61_ASS_008	6
9.	British Gas Trading	P61_ASS_009	1
10.	Innogy	P61_ASS_010	9

P61_ASS_001 – London Electricity

Respondent:	HARISH MISTRY
Representing (please list all Parties)	London Electricity Group Plc London Electricity Plc Sutton Bridge Power West Burton Power Jade Power Generation London Power Networks
Question	Response
Q1. Do you support the principle of Modification Proposal P61	YES Rationale: See comments below
Q2. Do you believe that the approach to interim adjustment as set out in the P61 Requirements Specification is equitable	YES Rationale:
Q3. Do you believe that the proposal adequately meets the needs of all groups of Parties	YES Rationale:
Q4. Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives (see below) than the current situation?	YES Rationale: It promotes efficiency in the implementation and administration of BSC arrangements. The process will be documented and fully visible to all BSC parties.
Any further comments:	
<p>We believe this modification is a vary pragmatic and cost effective way of dealing with a situation that may arise on a rare occasion (there has been only one incident over the last 12 months). The alternative solution (as proposed in CP517) would result in BSC parties incurring substantial unnecessary expenditure and extensive system changes.</p>	

P61_ASS_002 – TXU Europe

Respondent:	Philip Russell
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Representing (please list all Parties)	TXU Europe Companies (20 BSC Parties)
Question	Response
Q1. Do you support the principle of Modification Proposal P61	YES Rationale: It seeks to facilitate (on hopefully rare occasions) the re-allocation of payments/receipts between formal Settlement runs with the minimum impact on Parties systems.
Q2. Do you believe that the approach to interim adjustment as set out in the P61 Requirements Specification is equitable	YES Rationale: It seems to amount to Elexon re-running the data and then taking a judgement (for practical administrative purposes) on the number of Parties which should be liable.
Q3. Do you believe that the proposal adequately meets the needs of all groups of Parties	YES / NO Rationale: It is based on what a Settlement Re-run would have done.
Q4. Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives (see below) than the current situation?	YES Rationale: It promotes efficiency in the administration of the balancing and settlement arrangements in that it changes the Code to how the industries systems are actually designed whilst still facilitating the original intent.
Any further comments:	

P61_ASS_003 –

Respondent:	Deborah Cox
Representing (please list all Parties)	National Grid
Question	Response
Q1. Do you support the principle of Modification Proposal P61	YES Rationale: Without P61, costs will be incurred by parties to accommodate Ad Hoc runs (in addition to the cost of the required changes to Central Systems). It makes sense to avoid such expenditure given the likely infrequency of Ad Hoc runs.

<p>Q2. Do you believe that the approach to interim adjustment as set out in the P61 Requirements Specification is equitable</p>	<p>YES</p> <p>Rationale: The adjustment of interest ensures that no party will be materially disadvantaged once the next Settlement Run has taken place. As to the interim period, the Panel/TDC have discretion to limit the number of liable parties but the converse of this is that they would be able to ensure that liability was sufficiently spread to avoid any significant/damaging overpayment by any one party pending the next Settlement Run.</p>
<p>Q3. Do you believe that the proposal adequately meets the needs of all groups of Parties</p>	<p>YES</p> <p>Rationale: I see no reason why any group of parties should be adversely affected by this proposal.</p>
<p>Q4. Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives (see below) than the current situation?</p>	<p>YES</p> <p>Rationale: It has been observed that P61 is actually addressing a non-compliance issue, however the "current situation" <u>is</u> that in which an Ad hoc run cannot be carried out and P61 has to be assessed against the alternative of CP517. From that point of view, it meets objective (d), because it provides an economic and therefore efficient solution. It is also anticipated that P61 would enable payments to be made more quickly, which not only promotes efficiency but may, in certain circumstances, avoid credit default by an affected Party, which in general terms promotes effective competition as indicated by condition (c).</p>
<p>Any further comments: The issue of Ad Hoc Settlement Runs taking place for reasons other than Trading Disputes (U2.2) has been considered. Given that the mechanism will exist for interim adjustments to be made in lieu of Ad Hoc runs, I see no reason why U2.2 should not be amended to apply the same process in these other circumstances (i.e. following the award of an arbitor or otherwise).</p>	

P61_ASS_004 – British Energy

<p>Respondent:</p>	<p>Martin Mate</p>
<p>Representing (please list all Parties)</p>	<p>British Energy Power & Energy Trading Ltd British Energy Generation Ltd</p>

	Eggborough Power Ltd
Question	Response
Q1. Do you support the principle of Modification Proposal P61	NO - The BSC was written with the expectation of being able to use software to perform "settlement between or after normal runs" in special circumstances, to avoid the numerous problems associated with manual processes. There seems no good reason to remove this objective, although we would not expect such runs to be performed lightly. This does not preclude the proposed method of "interim payments" being developed and used, provided it is equitable to all advantaged parties.
Q2. Do you believe that the approach to interim adjustment as set out in the P61 Requirements Specification is equitable	YES / NO - Insufficient information is provided in the requirement specification. The proposed arrangement should be "Equitable" in the sense that no party should subsidise another party, and that application of interest and tax should not leave any party disadvantaged relative to others.
Q3. Do you believe that the proposal adequately meets the needs of all groups of Parties	Unsure Rationale:
Q4. Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives (see below) than the current situation?	NO - The use of ad-hoc and post Final Reconciliation runs appears a desirable process for meeting BSC objectives of promoting efficiency and competition in execution of the BSC. This does not preclude a manual process also being available in a more formalised form than at present.
Any further comments:	

P61_ASS_005 – GPU Power UK

Please find that GPU Power UK response to P61 Assessment Consultation is 'No comment'.

regards
Rachael Gardener

P61_ASS_006 – Seeboard

Respondent:	Dave Morton
Representing (please list all Parties)	SEEBOARD Energy Limited SEEBOARD Power Networks plc
Question	Response
Q1. Do you support the principle of Modification Proposal P61	YES Rationale: P61 appears to be an entirely appropriate low cost solution. We would not support the obvious alternative of a complex and therefore relatively expensive solution that was arguably marginally more equitable. P61 strikes the correct balance.
Q2. Do you believe that the approach to interim adjustment as set out in the P61 Requirements Specification is equitable	YES Rationale:
Q3. Do you believe that the proposal adequately meets the needs of all groups of Parties	YES Rationale:
Q4. Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives (see below) than the current situation?	YES Rationale:
Any further comments:	

P61_ASS_007 – Scottish & Southern Energy

Dear Sirs,

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd in relation to the Assessment Consultation on Modification Proposal P61 contained in your note of 4th March 2002, our comments and answers to the questions listed are contained in the attached document.

Regards

Garth Graham
Scottish & Southern Energy plc

Respondent:	
Representing (please list all Parties)	

Question	Response
<p>Q1. Do you support the principle of Modification Proposal P61</p>	<p>YES</p> <p>Rationale:</p> <p>An infrequently operated process will be simplified and made more efficient with minimum impact on Parties, Agents and their systems. When operated, the amended process keeps to a minimum the cost to the Industry on the whole.</p>
<p>Q2. Do you believe that the approach to interim adjustment as set out in the P61 Requirements Specification is equitable</p>	<p>YES</p> <p>Rationale:</p> <p>Although only significantly advantaged Parties are targeted for Ad-Hoc Trading Charges, cash neutrality is maintained through payment of interest upon reimbursement of the interim adjustment amount.</p> <p>In addition, the process will be subject to the BSC Auditor's opinion, which will ensure that the estimation process and decision-making criteria to determine advantaged Parties and their interim adjustment liabilities are robust and adhered to. To this end, and as the process will operate infrequently, it should be possible to audit all interim adjustment events, subject to reasonable cost.</p>
<p>Q3. Do you believe that the proposal adequately meets the needs of all groups of Parties</p>	<p>YES</p> <p>Rationale:</p> <p>Disadvantaged Parties receive a cash adjustment before the Timetabled Reconciliation process, thereby minimising the impact on working capital.</p> <p>Advantaged Parties remain cash neutral in providing an early advance on liabilities that will accrue at the next Timetabled Reconciliation process.</p> <p>Parties, and to a lesser extent Service Providers, minimise a) traffic across the data networks, b) system management costs, and c) operational costs in handling adjustments outside of Timetabled Reconciliation.</p>
<p>Q4. Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives (see below) than the</p>	<p>YES</p> <p>Rationale:</p>

current situation?	(d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.
Any further comments:	

P61_ASS_008 – Scottish Power

Respondent:	Man Kwong Liu
Representing (please list all Parties)	Scottish Power UK Plc.; SP Manweb Plc; ScottishPower Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.
Question	Response
Q1. Do you support the principle of Modification Proposal P61	YES Rationale: we believe that the interim adjustment solution proposed would promote efficiency in the implementation and administration of the trading arrangements.
Q2. Do you believe that the approach to interim adjustment as set out in the P61 Requirements Specification is equitable	YES Rationale: the approach requires minimum changes to existing systems and procedures which would benefit all existing Parties and potential new entrants, while at the same time providing a robust, simple and auditable arrangement.
Q3. Do you believe that the proposal adequately meets the needs of all groups of Parties	YES Rationale: The aim of P61 is to change the Ad hoc Settlement Process in the BSC from needing to carry out an actual full system run to a manual process under the control of the TDC and the Panel. This precludes the need for extensive system changes to Parties' settlement and billing systems under CP517 proposal. We anticipate that only BSC and subsidiary documentation changes will be required, although it may involve minor changes to Central Systems and processes. Therefore, there are minimum impacts on all parties, while facilitating an ad hoc settlement adjustment process which may be applied to

	any situation where a material error in settlements is considered to have occurred, the prime example of which would be where a Party has raised a Trading Dispute.
Q4. Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives (see below) than the current situation?	YES Rationale: See comments in Q1.
Any further comments: <ul style="list-style-type: none"> • More detailed legal drafting is required in view of the legal issues raised in the accompanied Note. • We do not envisage the interim adjustment process being used frequently based on past experience. • The TDC and the Panel should be fully satisfied that the proposed interim adjustment solution is designed to meet the tests of robustness, simplicity of operation and auditability. 	

P61_ASS_009 – British Gas Trading

Respondent:	British Gas Trading
Representing (please list all Parties)	
Question	Response
Q1. Do you support the principle of Modification Proposal P61	YES Rationale:
Q2. Do you believe that the approach to interim adjustment as set out in the P61 Requirements Specification is equitable	YES Rationale:
Q3. Do you believe that the proposal adequately meets the needs of all groups of Parties	YES Rationale: Dependent upon TDC having the authority to trigger the adjustment in circumstances of extreme distress, this being based on an appeal from the BSC Party when raising their dispute.
Q4. Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives (see below) than the current situation?	YES Rationale:

Any further comments:

P61_ASS_010 – Innogy Group

Respondent:	Mark Thomas
Representing (please list all Parties)	Response on behalf of Innogy Group (Innogy plc, Innogy Cogen Limited, Innogy Cogen Trading Limited, Npower Limited, Npower Direct Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Yorkshire Limited and Npower Yorkshire Supply Limited)
Question	Response
Q1. Do you support the principle of Modification Proposal P61	YES /NO Rationale: Addresses a process in the BSC that is not currently viable within the industry.
Q2. Do you believe that the approach to interim adjustment as set out in the P61 Requirements Specification is equitable	YES /NO Rationale:
Q3. Do you believe that the proposal adequately meets the needs of all groups of Parties	YES /NO Rationale:
Q4. Do you believe that this Modification Proposal better facilitates achievement of the Applicable BSC Objectives (see below) than the current situation?	YES /NO Rationale: Facilitates the objectives of d) by defining the implementation and administration of adjustments outside of the Settlement Run process. To a lesser extent it facilitates the objects c) by formalising the process for Parties disadvantaged by a material settlement error.

Any further comments:

Processes need to be in place to ensure that the reports from the BSC Agent systems estimation run are not sent to external Parties.

Section 2.2 makes reference to a revised Settlement report S0143 being provided to the BSCCo – need to note there is a change proposal in the process of being raised with one of the options making S0143 available to the industry.