

February 2002

MODIFICATION REPORT
MODIFICATION PROPOSAL P60 –
Amendment to Obligation to
Register Metering Systems in
Relation to Trade Sales

Prepared by ELEXON on behalf of the Balancing
and Settlement Code Panel

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I DOCUMENT CONTROL

a Authorities

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b Distribution

Name	Organisation
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Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	Energywatch
Core Industry Document Owners	Various

c Related Documentation

Reference	Document
Reference 1	Assessment Report Modification Proposal P60 'Amendment to Obligation to Register Metering Systems in Relation to Trade Sales' (V1.0 7 February 2002)

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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment Procedure, and the resultant findings of this report, the BSC Panel recommends that:

The Proposed Modification, as set out in Section 4 of this Modification Report is approved, with a 'calendar day' implementation effective from 2 Working Days after any Authority decision to approve Modification Proposal P60.

1.2 Background

Modification Proposal P60 was submitted on 5 December 2001 by British Gas Trading Limited. The proposal seeks, in the circumstances of a Trade Sale to a single Replacement Supplier, to remove the obligation on the single Replacement Supplier to re-register Metering Systems and appoint Party Agents as soon as reasonably practicable and within 3 months after the Appointment Day of that Replacement Supplier. The Modification Proposal places the responsibility on the single Replacement Supplier to decide whether they can best meet their other Balancing and Settlement Code (Code) obligations by re-registering their Metering Systems or not.

The Panel endorsed the recommendation to progress Modification Proposal P60 to the Assessment Procedure (as defined in section F2.6 of the Code).

The Assessment Report for Modification Proposal P60 (Reference 1) was submitted for consideration at the Panel meeting of 14 February 2002. The Panel endorsed the recommendations of the Modification Group and agreed to submit Modification Proposal P60 to the Report Procedure, with a recommendation that the proposed modification be approved with a 'calendar day' implementation effective from 2 Working Days after any Authority decision to approve Modification Proposal P60.

1.3 Rationale for Recommendations

It was the clear opinion of the Modification Group that this proposal protects the stability and integrity of the Trading Arrangements and that the Replacement Supplier is in the best position to make the decision as to whether they can best meet their Code obligations by re-registering their Metering Systems.

In particular, it is the consensus of opinion in consultation responses that the Modification Proposal will meet applicable objective C3(3) (d) to promote efficiency in the implementation and administration of the balancing and settlement arrangements.

The Panel supported this rationale by endorsing the Assessment Report recommendations.

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.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

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

3 PURPOSE AND SCOPE OF THE REPORT

BSC Section F sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'. These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications. This report has been drafted in accordance with the obligations set out in Section F of the Code.

4 DESCRIPTION OF PROPOSED MODIFICATION

Modification Proposal P60 seeks to improve the failing Supplier process, as described in section K7 of the Code. The impact of the Modification Proposal is to place the responsibility on the single Replacement Supplier to decide whether they can best meet their other Code obligations by re-registering their Metering Systems, or not.

The proposal states that this modification will ensure that the stability and integrity of the Supplier Volume Allocation (SVA) Trading Arrangements and Settlement data is maintained and is not unnecessarily undermined.

The issues involved in respect of a Trade Sale differ from that of the Supplier of Last Resort scenario and therefore it is proposed that the original obligation to re-register Metering Systems within 3 months will remain in place for the execution of the appointment of a Supplier of Last Resort.

The Modification Proposal states that the original obligation to re-register Metering Systems within 3 months will also remain in place where multiple Replacement Suppliers exist. This is supported by the fact that there are constraints within the existing BSC Systems that will not permit separate reporting of SVA assets by Replacement Supplier in the circumstances of multiple Replacement Suppliers.

5 CHANGES TO LEGAL TEXT

One legal issue was raised from the consultation on P60 during the Assessment Procedure.

This issue related to the fact that the Replacement Supplier Registration Date is defined under paragraph K7.6. If this paragraph does not apply in the circumstances described by this Modification Proposal, then there is ambiguity introduced into paragraphs K7.4.5, K7.4.6 and K7.4.7, which use the Replacement Supplier Registration Date.

This issue has been addressed by the revised legal drafting from the BSCCo's legal advisors, attached in Annex 2, which refers explicitly to paragraphs K7.4.5, K7.4.6 and K7.4.7.

The BSCCo's legal advisor has provided the following explanation of the revised legal text in Annex 2 of this document:

The legal text removes the obligation to register the affected Metering Systems within 3 months by disapplying Section K7.6 in the circumstances where the affected BM Units are transferred to a single transferee. The waiver under Section K7.4.5 will continue to apply unless and until the transferee takes steps to register the Metering Systems in his own name. In the meantime, the transferor must

remain registered in CMRS and SMRS (in other words, the transferor's name will remain in the database as the responsible party). This is achieved by providing that, in the case of a distressed trade sale to a single purchaser, the references to the Replacement Supplier Registration Date in K7.4.5 and K7.4.7 (defined in K7.6.4) will be to the date when the transferee actually registers the metering systems in his own name, disregarding the three-month deadline which normally applies under Section K7.6 to supplier of last resort transfers and other distressed trade sales. Finally, the legal text for P.60 provides that the prohibition on allocating SVA Metering Systems to Additional BM Units, and on changing the status of a BM Unit, does not apply in the case of a distressed trade sale to a single purchaser.

6 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

The legal text to give effect to Modification Proposal P60 can be found in Annex 2 of this document. Please note that this text has been modified since the Assessment Procedure consultation. The changes are described in section 5 of this document.

7 ASSESSMENT

The impact of Modification Proposal P60 can be found in sections 5 to 7 of the Assessment Report. The key points are:

- A new paragraph to Section K7.6 of the Code is required.
- There is no further impact on the Code, Code Subsidiary Documents or BSC Systems.
- Parties and Party Agents will no longer be required to execute a Change of Supplier process for all Metering Systems registered to the SVA Supplier ID of the Failing Supplier.

8 SUMMARY OF REPRESENTATIONS

Pending receipt of Draft Modification Report Consultation.

ANNEX 1 – REPRESENTATIONS

Pending receipt of consultation responses on the Draft Modification Report.

ANNEX 2 – LEGAL TEXT TO GIVE EFFECT TO MODIFICATION PROPOSAL P60

Proposed text to amend the Code is as follows. A conformed version, change marked against the current version of the Code, has not been included as the legal text is to be added as an additional paragraph only.

Modification Proposal P.60

Proposed legal text

Note: The following legal text has been prepared against version 1.1 of Section K.

The following new paragraph 7.6.8 shall be inserted in Section K:

"7.6.8 In the case of a relevant transfer made pursuant to paragraph 7.2, where the Lead Party transfers its interests in relation to all its BM Units (subject to paragraph 7.2.3) to a single Transferee:

- (a) the provisions of this paragraph 7.6 shall not apply; and
- (b) in relation to a Metering System associated with the relevant Replacement Supplier BM Unit:
 - (i) the reference in paragraphs 7.4.5 and 7.4.7 to the relevant Replacement Supplier Registration Date shall be to the date (if any) with effect from which the Transferee becomes registered, for the purposes of and in accordance with the provisions of paragraph 2, in respect of such Metering System; and
 - (ii) the provisions of paragraph 7.4.6 shall not apply."