
Meeting name BSC Panel

Date of meeting 28 June 2001

Paper Title P20: Revisions of Obligations of Parties in Relation to BM Unit Registration

Purpose of Paper For Decision

Synopsis In accordance with the Modification Procedures, this paper sets out the initial written assessment of Modification proposal P20. The Panel is invited to endorse that Modification proposal P20 is submitted to the Assessment Procedure and that an Assessment Report is submitted to the Panel meeting of 26 July 2001.

1. PROPOSED MODIFICATION

- 1.1 Modification Proposal P20 was submitted by London Electricity plc on 13 June 2001. The proposal was raised in order to consider the registration of BM Units and Metering Systems in the name of a BSC Party that is an Affiliate of the BSC Party responsible for the exports or imports of electricity at a Boundary Point.
- 1.2 Paragraph K 1.2.1 currently states that the Party responsible for any exports or imports of electricity at a Boundary Point shall register the BM Units and Metering Systems.

2. RESULTS OF INITIAL WRITTEN ASSESSMENT

- 2.1 ELEXON has prepared an Initial Written Assessment of the proposed modification, which is included as Attachment 1 to this paper. Key points identified in this assessment are as follows:
- ❑ the main area of impact will be on Sections K, P and M of the Balancing & Settlement Code;
 - ❑ there is also a potential impact on the Grid Code, the MRA, BSCP15 and BSCP71, and the CRA Service Description, CRA User Requirement Specification, and CRA Operating Procedures.

3. PROCESS AND TIMETABLE FOR PROGRESSING THE MODIFICATION

- 3.1 It is recommended that the Modification Proposal P20 is progressed as follows:
- through the Assessment Procedure (as defined in the BSC, section F2.6); and
 - the Assessment Report be submitted to the Panel Meeting on 26 July 2001;

To support the assessment procedure the proposal should be considered by the appropriate Modifications Group (in accordance with Section F2.4) based on the nominated expert lists.

4. TERMS OF REFERENCE

Pursuant to paragraph F2.4.12, the Panel is to determine the terms of reference of each Modifications Group and may change those terms of reference as it sees fit. Issues that the Panel may wish to instruct the Modification Group to consider with regard to this Modification Proposal are:

- The Modification appears to be inconsistent with the covering letter submitted by the Proposer. The covering letter appears to describe an Affiliate of a Party responsible for Imports and Exports at a BM Unit being the Lead Party for that BM Unit. The proposed change in the Modification, however, seems only to apply this principle to the registration of Metering Systems. The assumption has therefore been made that the Modification covers all aspects of registration responsibilities i.e. Metering Systems and BM Units, Trading Units etc.
- Although not indicated in the proposal, this Modification requires fundamental principle changes to the Code which would allow the Exports or Imports connected with the BM Unit to be registered to the Affiliate's name and not the existing Lead Party. This is likely to be inconsistent with the Grid Code, and the licence regime. It is not within the Panel's remit to comment on the issue of the licence conditions, or to take a view on it. This is a regulatory issue for Ofgem. However, as it is likely to be commented on during the consultation process, the Panel should be aware of it.
- As stated above, there is some confusion in the Modification Proposal over whether the Affiliate would become the Lead Party, or simply become responsible for the imports and exports. If the Affiliate doesn't become the Lead Party, the Code will need to differentiate between those responsibilities allocated to the Lead Party, and those allocated to the person responsible for the imports and exports.
- If the Affiliate does become the Lead Party, it is not clear how the Affiliate can have the responsibility to submit Physical Notifications (in accordance with the Grid Code) because the Affiliate does not have any requirement to do so under the Grid Code. If the Affiliate is to become the Lead Party, the Grid Code must be changed as well. This could be difficult. However, the Affiliate could submit Physical Notifications in accordance with the Grid Code even though it's not bound by the Grid Code - i.e. the BSC requires Grid Code compliance. This is what happens for those Parties who are not bound by the Grid Code, but who choose to participate in the Balancing Mechanism. The problem is, that under the Grid Code, the original BSC Party will still be responsible for submitting Physical Notifications as well - i.e. the Affiliate will have to submit them in accordance with the BSC, and the original party in accordance with the Grid Code.
- The issue of whether the Code discriminates on the basis of corporate structure has been raised by the Proposer and the Modifications Group should look at this claim.
- What are the costs of implementation?
- Are there any potential efficiencies in the implementation and administration of the BSC to be gained as purported in the Proposal?
- There is a risk of mismatch with the Grid Code and/or the MRA given that the main focus of these documents is plant operators (Grid Code) or Suppliers (MRA)?
- Who is responsible for notifying the appointment / de-appointment of the Affiliate?
- What happens if the Affiliate goes into liquidation?
- What are the Credit Cover requirements where an Affiliate is registered rather than the Lead Party?
- Who can authorise Affiliate MVRNs?
- Should the status of the Affiliate be monitored?

5. RECOMMENDATIONS

5.1 The Panel is invited to:

- **NOTE the results of the initial written assessment on Modification Proposal P20 and the associated identified issues;**
- **ENDORSE that Modification Proposal P20 is submitted to the Assessment Procedure (pursuant to section F2.6 of the Code);**
- **ENDORSE the timetable for completion of an Assessment Report that this be submitted to the Panel meeting on 26 July 2001;**
- **DELEGATE authority to the Panel Chairman to agree the membership of the Modifications Group; and**
- **ENDORSE the Terms of Reference for the Modifications Group including the issues set out above in paragraph 4.**

Catherine Woods, Legal

List of enclosures

1. Initial Assessment of Modification Proposal P20 – Revision of Obligations of Parties in relation to BM Unit Registrations, (12 June 2001, London Electricity)