

August 2001

ASSESSMENT REPORT
MODIFICATION PROPOSAL P07 –
Allocation of Supplier Demand to
the Same BM Unit in a GSP Group
for all Suppliers in the Same
Company Group

Prepared by the P7 Modification Group (P7MG) on
behalf of the Balancing and Settlement Code Panel

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Name	Organisation
BSC Panel	

c Related Documents

Reference	Document
Reference 1	P07 Modification Proposal "Allocation of Supplier Demand to the same BM Unit in a GSP Group for all Suppliers in the same Company Group"
Reference 2	IWA007 Initial Assessment of Modification Proposal P07 – Allocation of Supplier Demand to the same BM Unit in a GSP Group for all Suppliers in the same Company Group V1.0
Reference 3	MDR07 Definition Report Modification Proposal P07 – Allocation of Supplier Demand to the same BM Unit in a GSP Group for all Suppliers in the same Company Group V1.0
Reference 4	018AAR P07 Requirements Specification for Allocation of Supplier Volumes for more than one Supplier in a GSP Group V1.0
Reference 5	010AMB Modification Proposal P07 Project Brief V1.0

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II CONTENTS TABLE

I	Document Control.....	2
a	Authorities.....	2
b	Distribution.....	2
c	Related Documents.....	2
d	Intellectual Property Rights and Copyright.....	3
II	Contents Table	4
1	Summary and Recommendations	6
2	Introduction.....	7
3	Purpose and Scope of the Report	8
4	Modification Group Details	11
5	Description and Assessment Against the Applicable BSC Objectives.....	12
5.1	Assessment Against the Applicable BSC Objectives	12
5.2	The Proposed Modification	13
5.3	Option 1: Requirements for the Allocation of Supplier Volumes to a Single BM Unit.....	13
5.3.1	SVA Requirements – Notification of Single BM Unit	13
5.3.2	SVA Requirements: Allocation to Single BM Unit	14
5.3.3	SVA Requirements: Reporting of Allocation to Single BM Unit.....	14
5.3.4	CVA Requirements: Validation of Supplier Volume Allocations.....	14
5.4	Option 1: Documentation Impact.....	15
5.4.1	Balancing and Settlement Code	15
5.4.2	Other Impacted Documentation.....	15
5.5	Option 2: Requirements for the Allocation to a Trading Unit.....	15
5.5.1	SVA Requirements	16
5.5.2	CVA Requirements: BSC Panel Processing	16
5.5.3	CVA Processing: Trading Unit Registration.....	17
5.5.4	CVA Processing: Settlement Calculations	17
5.6	Option 2: Documentation Impact.....	17
5.6.1	Balancing and Settlement Code	17
5.6.2	Other Impacted Documentation.....	17
6	Impact on BSC and BSCCo Documentation.....	18
6.1	Modification P07: Allocation to a Single BM Unit.....	18
6.1.1	BSC	18
6.1.2	Code Subsidiary Documents	19
6.2	The Alternative Modification: Allocation to a Trading Unit.....	20
6.2.1	BSC	20
6.2.2	Code Subsidiary Documents	21
6.3	BSCCo Memorandum and Articles of Association.....	22
7	Impact on BSC AGENT Systems	23
7.1	The Modification: Allocation to a Single BM Unit.....	23
7.1.1	Registration.....	23
7.1.2	Contract Notification	23
7.1.3	Credit Checking Systems	23
7.1.4	Balancing Mechanism Activities.....	23
7.1.5	Collection and Aggregation of Metered Data	23
7.1.6	Supplier Volume Allocation	23
7.1.7	Settlement	24
7.1.8	Clearing, Invoicing and Payment.....	25

7.1.9	Reporting	25
7.2	The Alternative Modification: Allocation to a Trading Unit.....	25
7.2.1	Registration	25
7.2.2	Contract Notification	25
7.2.3	Credit Checking Systems	25
7.2.4	Balancing Mechanism Activities.....	25
7.2.5	Collection and Aggregation of Metered Data	25
7.2.6	Supplier Volume Allocation	25
7.2.7	Settlement	25
7.2.8	Clearing, Invoicing and Payment.....	25
7.2.9	Reporting	26
8	Impact on Core Industry Documents and Supporting Arrangements.....	27
8.1	Grid Code.....	27
8.2	Master Connection and Use of System Agreement (MCUSA)	27
8.3	Supplemental Agreements	27
8.4	Ancillary Services Agreements (ASAs)	27
8.5	Master Registration Agreement (MRA).....	27
8.6	Data Transfer Services Agreement (DTSA)	27
8.7	British Grid Systems Agreement (BGSA)	27
8.8	Use of Interconnector Agreement.....	27
8.9	Pooling and Settlement Agreement (PSA).....	27
8.10	Settlement Agreement for Scotland (SAS).....	27
8.11	Distribution Codes.....	27
8.12	Distribution Use of System Agreements (DUoSAs)	27
8.13	Distribution Connection Agreements	27
9	Impact on ELEXON.....	28
9.1	The Modification: Allocation to a Single BM Unit.....	28
9.2	The Alternative Modification: Allocation to a Trading Unit.....	28
10	Impact on Parties and Party Agents	29
10.1	Parties	29
10.1.1	The Modification: Allocation to a Single BM Unit.....	29
10.1.2	The Alternative Modification: Allocation to a Trading Unit.....	29
10.2	Party Agents.....	29
11	Legal Issues	30
11.1	The Modification: Allocation to a Single BM Unit.....	30
11.2	The Alternative Modification: Allocation to a Trading Unit.....	30
12	Summary of Representations.....	31
12.1	Initial Consultation Responses	31
12.2	Second Consultation and Impact Assessment Responses.....	31
12.3	Third Consultation.....	32
13	Summary of Transmission Company Analysis.....	34
13.1	The Modification: Allocation to a Single BM Unit.....	34
13.2	The Alternative Modification: Allocation to a Trading Unit.....	34
14	Project Brief – Executive Summary.....	37
Annex 1 – Proposed Text to Modify the BSC.....		39
Annex 2 – BSC Agent Impact Assessments.....		42

1 SUMMARY AND RECOMMENDATIONS

See separate document 'Assessment Report Executive Summary' for the Summary and 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.

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.

The BSC Panel is charged with supervising and implementing the modification procedures. ELEXON provides the secretariat and other advice, support and resource required by the Panel for this purpose. In addition, if a modification to the Code is approved or directed by the Authority, ELEXON is responsible for overseeing the implementation of that amendment (including any consequential changes to systems, procedures and documentation).

The Panel may decide to submit a Modification Proposal to an 'Assessment Procedure'¹. Under this procedure, a Modification Group is tasked with undertaking a detailed assessment of the proposal to evaluate whether it better facilitates achievement of the Applicable BSC Objectives². The group may also develop an alternative proposal if it believes that the alternative would better facilitate achievement of the objectives.

The Modification Group must prepare a report for the Panel, setting out the results of the assessment of the modification proposal and any alternative. The following matter should be included (to the extent applicable to the proposal in question)³:

- (a) an analysis of and the views and rationale of the Modification Group as to whether (and, if so, to what extent) the Proposed Modification would better facilitate achievement of the Applicable BSC Objective(s);
- (b) a description and analysis of any Alternative Modification developed by the Modification Group which, as compared with the Proposed Modification, would better facilitate achievement of the Applicable BSC Objective(s) and the views and rationale of the Group in respect thereof;
- (c) an assessment or estimate (as the case may be) of:
 - (i) the impact of the Proposed Modification and any Alternative Modification on BSC Systems;
 - (ii) any changes and/or developments which would be required to BSC Systems in order to give effect to the Proposed Modification and any Alternative Modification;
 - (iii) the total development and capital costs of making the changes and/or delivering the developments referred to in paragraph (ii);
 - (iv) the time period required for the design, build and delivery of the changes and/or developments referred to in paragraph (ii);
 - (v) the increase or decrease in the payments due under the BSC Agent Contracts in consequence of the Proposed Modification and any Alternative Modification;
 - (vi) the additional payments (if different from those referred to in paragraph (v)) due in connection with the operation and maintenance of the changes and/or developments to BSC Systems as a result of the Proposed Modification and any Alternative Modification;

¹ See BSC F2.6

² As defined in the Transmission Licence

³ See BSC F2.6.4 and Annex F-1

- (vii) any other costs or liabilities associated with BSC Systems attributable to the Proposed Modification and any Alternative Modification;
- (d) an assessment of:
- (i) the impact of the Proposed Modification and any Alternative Modification on the Core Industry Documents;
 - (ii) the changes which would be required to the Core Industry Documents in order to give effect to the Proposed Modification and any Alternative Modification;
 - (iii) the mechanism and likely timescale for the making of the changes referred to in paragraph (ii);
 - (iv) the changes and/or developments which would be required to central computer systems and processes used in connection with the operation of arrangements established under the Core Industry Documents;
 - (v) the mechanism and likely timescale for the making of the changes referred to in paragraph (iv);
 - (vi) an estimate of the costs associated with making and delivering the changes referred to in paragraphs (ii) and (iv),
- together with a summary of representations in relation to such matters;
- (e) an assessment of:
- (i) the likely increase or decrease in BSC Costs (to the extent not already taken into account in paragraph (c) above) in consequence of the Proposed Modification and any Alternative Modification;
 - (ii) the changes required to Systems and processes of BSCCo in order to give effect to the Proposed Modification and any Alternative Modification; and
 - (iii) the BSC Costs which are expected to be attributable to the implementation of the Proposed Modification and any Alternative Modification, to the extent not taken into account under any other provision above;
- (f) to the extent such information is available to the Modification Group, an assessment of the impact of the Proposed Modification and any Alternative Modification on Parties in general (or classes of Parties in general) and Party Agents in general, including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating costs associated with implementing the changes to the Code and to Core Industry Documents;
- (g) an assessment of the Proposed Modification and any Alternative Modification in the context of the statutory, regulatory and contractual framework within which the Code sits (taking account of relevant utilities, competition and financial services legislation);
- (h) a summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Proposed Modification and any Alternative Modification and the views and comments of the Modification Group in respect thereof;
- (i) a summary of the analysis and impact assessment prepared by the Transmission Company and the views and comments of the Modification Group in respect thereof;

- (j) a summary of the impact assessment prepared by relevant BSC Agents and the views and comments of the Modification Group in respect thereof;
- (k) a summary of any impact assessment prepared by Core Industry Document Owners and the views and comments of the Modification Group in respect thereof;
- (l) a copy of the terms of reference and any report or analysis of external consultants or advisers engaged in respect thereof;
- (m) a list of the key assumptions which the Modification Group has made in formulating its views;
- (n) any other matters required by the terms of reference of such Modification Group;
- (o) any other matters which the Modification Group consider should properly be brought to the attention of the Panel to assist the Panel in forming a view as to whether the Proposed Modification and any Alternative Modification would better facilitate achievement of the Applicable BSC Objective(s);
- (p) subject to paragraph 2.6.8 and 2.6.9 of Section F of the BSC, the proposed text to modify the Code in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Code which would be affected by the changes;
- (q) the Modification Group's proposed Implementation Date(s) for implementation (subject to the consent of the Authority) of the Proposed Modification and any Alternative Modification;
- (r) an executive summary of the project brief prepared by BSCCo;
- (s) a recommendation (where applicable) as to whether, if the Proposed Modification or Alternative Modification is approved, Settlement Runs and Volume Allocation Runs carried out after the Implementation Date of such Approved Modification in respect of Settlement Days prior to that date should be carried out taking account of such Approved Modification or not;
- (t) the proposed text (if any) to modify the Memorandum and Articles of Association of BSCCo and/or the BSC Clearer in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Memorandum and Articles of Association and/or the Code which would be affected by the changes; and
- (u) a summary of any changes which would be required to Code Subsidiary Documents as a consequence of such Proposed Modification or Alternative Modification.

This Assessment Report therefore addresses all of the above items to the extent relevant to the Modification Proposal in question.

4 MODIFICATION GROUP DETAILS

This Assessment Report has been prepared by the P7 Modification Group. The Membership of the Modification Group was as follows:

Member	Organisation
Justin Andrews	ELEXON (Chair)
Ben Jones	ELEXON (Technical Secretary)
Peter Bolitho	PowerGen (Proposer)
Ben Willis	Yorkshire Electricity
Maurice Smith	Campbell Carr
Brian Sequeira	BGT
Duncan Jack	St. Clements Services
Jonathan Purdy	Seeboard (Distribution Business)
Richard Lavendar	Transmission Company
Phil Clinch	ELEXON (Analysts)
Mandi Francis	
Ofgem	
Nigel Brooks	Transmission Company (Attendee)

5 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

5.1 Assessment Against the Applicable BSC Objectives

For reference, the Applicable BSC Objectives are set out in paragraph 3 of Condition 7A of the Transmission Licence, as follows:

- (a) "The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;
- (b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;
- (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;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements."

The P7MG believed that parties could already access the full embedded benefits outside the BSC. For example, it is possible for Supplier A to agree with Supplier B that Supplier A should supply the customers of Supplier B so that together embedded benefits can be maximised. This would require the Suppliers, in conjunction with their customers to agree to amend the supply contract arrangements so that the customers are re-registered with Supplier A, and the full embedded benefits realised. The benefits would then be shared in some manner between the suppliers and the customers. Suppliers A and B could be Affiliate companies or different companies.

Because it is clear that by reshuffling the contractual arrangements outside the BSC, the full embedded benefits associated with netting off against an exemptable generator may be realised, unless the overall trading arrangements are inefficient in this regard, the fact that they are able to do so must be economically efficient. Were this not the case, then it would be expected that some form of licence prohibition on such activities would exist.

If, instead of forcing parties to re-structure their contractual relationships outside the BSC in order to access the embedded benefits, the BSC rules are changes so as to facilitate their access through the BSC, then, it is argued that the BSC objectives are better met.

First, the objective set down in Condition 7A 3(c) of the Transmission Licence (see above) is better achieved, because it facilitates the access of embedded benefits. This is deemed to be economically efficient because the benefits are capable of being accessed by other routes that are not prohibited.

Second, it better meets the objective set down in Condition 7A 3(d) of the Transmission Licence (see above) because it removes an unnecessary barrier to accessing embedded benefits that are already available.

It is also noted that the P7MG believed that it was inappropriate that the access of embedded benefits was linked to ownership. The general rationale for permitting access to embedded benefits was understood to be based on the fact that embedded generation is deemed to net off local demand, and not to enter onto the transmission system and subsequently re-exit. From an electrical perspective, whether or not this is the case is not a function of whether the demand is supplied by one or more suppliers. Hence, the existing arrangements were judged to be irrational, and both the Modification and

the Alternative Modification better meet the objective set down in Condition 7A 3(c) of the Transmission Licence (see above) by removing this irrationality.

Where the original Modification and the Affiliate variant of the Alternative Modification (point 2 in Section 1.1) only go part-way to removing the barriers to accessing embedded benefits (for example by permitting aggregation only with the Supplier BM Unit of an affiliate within the same GSP Group, rather than with the Supplier BM Unit of any supplier in the same GSP Group), the Affiliate variant of the Alternative Modification was still judged to better meet the BSC objectives as set down above, only not to the same extent.

5.2 The Proposed Modification

The following is an extract, in entirety, from the Requirements Specification (018AAR – Reference 4), included here for information. It should be noted that this extract refers to Option 1: Allocation to a Single BM Unit (original Modification) and to Option 2: Allocation to a Trading Unit (the Alternative Modification).

The following sections detail the requirements specification for each of the Options under Modification Proposal P07. The P7MG agreed that both options under this Modification Proposal better meet the Objective of the Balancing and Settlement Code, under the provisions of the Transmission Licence Condition 7A 3(c) 'promoting effective competition in the generation and supply of electricity and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity'. Both of these options are deemed to meet this objectives as they both allow maximisation of the embedded benefits for BSC Parties choosing to combine Demand and Embedded Generation within a GSP Group under either of these options.

5.3 Option 1: Requirements for the Allocation of Supplier Volumes to a Single BM Unit

This Requirements Specification provides the definition of the changes required to support the implementation of Option 1: Allocation to a Single BM Unit – one of the identified solutions to Modification Proposal P007. This option proposes to allocate the demand of two or more Affiliate⁴ Suppliers to a Single BM Unit within a GSP Group.

At a high level, where affiliate Suppliers wish to allocate their demand to a single BM Unit within a GSP Group, then each Supplier provides confirmation of the requisite allocation requirements to the SVAA. At Initial Settlement, SVAA will make the requisite allocations from the designated Supplier BM Units to the nominated Single BM Unit and will provide the Allocated Supplier Volumes to the SAA. Therefore the allocation is made within SVA and SAA Settlement calculations are made on the Supplier BM Unit metered volumes after allocation to the single BM Unit.

5.3.1 SVA Requirements – Notification of Single BM Unit

All Suppliers notify SVAA of the BM Units that are required to be combined into a single BM Unit. There is no existing interface for this and therefore a new interface would be required.

Such new notification should be based upon the existing interface for BM Unit Allocation into SVAA, namely the P0185, and should specify:

⁴ Affiliate is defined in the Balancing and Settlement Code, Annex X1 as "in relation to any Party, any holding company of that Party, any subsidiary of that Party or any subsidiary of a holding company of that Party, in each case within the meaning of Sections 736, 736A and 736B of the Companies Act 1985, but subject to Section X2.2.5 in relation to the Transmission Company."

- Effective From Settlement Date
- Effective To Settlement Date
- The BM Units required to be combined to a Single BM Unit

This notification should be received by Gate Closure for the period to which the BM Unit allocation pertains (i.e. by 20:30 the day ahead of the Effective From Settlement Date of the allocation). The allocation to the Single BM Unit can be made for one or more Settlement Days at the day ahead stage.

The notification should either come from all Suppliers (i.e. they all send the request, and only where the information matches across all, does SVAA action it), or should provide confirmation from all Suppliers.

The Single BM Unit will be the one of the BM Units in the GSP Group belonging to the 'lead Supplier', i.e. it will not be a new / separate BM Unit created only for this purpose. The notification requesting Single BM Unit allocation will identify the 'lead BM Unit' for the allocations to be made to.

5.3.2 SVA Requirements: Allocation to Single BM Unit

SVAA performs the Volume Allocation Run (the process will be the same for each Volume Allocation Run type), and makes the allocation to the single BM Unit for the Suppliers, as requested. This is performed either during the Volume Allocation Run (as part of the allocation calculations), or is undertaken by SVAA on completion of the Volume Allocation Run, but is performed before the generation of the Supplier Volume Allocation report to SAA (SAA-I007 / P0182). Therefore the Supplier Volume Allocation reflects the amalgamation of demand from the Supplier BM Units to the Single BM Unit.

5.3.3 SVA Requirements: Reporting of Allocation to Single BM Unit

The SVAA may be required to report to Suppliers on the allocations they have made under this allocation to the Single BM Unit. Therefore a new interface may be required from SVAA to Suppliers. This interface should contain, as a minimum:

Settlement Date, Supplier Id, BM Unit Id and BM Unit Metered Volume before allocation to Single BM Unit, for all BM Units allocated to the Single BM Unit.

This represents a change to SVAA reporting functionality and a potential change to the Data Transfer Catalogue. BSC Parties should indicate whether they would require such a report if they were to take advantage of such allocation to a Single BM Unit.

5.3.4 CVA Requirements: Validation of Supplier Volume Allocations

SAA performs the Settlement Run (the process will be the same for each Settlement Run type, other than the Interim Information Run, where there are no Metered Volumes for Supplier BM Units) using the Supplier Volume Allocations from SVAA. No change to the SAA calculations is required, as the Metered Volumes for Supplier BM Units have already been adjusted within SVAA.

Validation of the SVAA Supplier Volume Allocation report should take into account the allocation of volumes into the Single BM Unit. There may be validation implications where the Metered Volumes for other 'trading' Supplier BM Units are legitimately zero.

Therefore an indication of whether there is an impact on SAA validation under this option is required.

5.4 Option 1: Documentation Impact

The following sections provide a high level view of the impact on documentation, the detailed impact is discussed in more detail in the subsequent sections of this Assessment Report.

5.4.1 Balancing and Settlement Code

Section K: Classification and Registration of Metering Systems and BM Units, requires amendment to the definitions of 'Lead Party' and 'BM Unit' to support the Single BM unit option.

Section S: Supplier Volume Allocation, ANNEX S1 and S2 require amendment to the Supplier Volume Allocation calculations and rules to support such allocation to a Single BM unit.

5.4.2 Other Impacted Documentation

BSCP 507 Supplier Volume Allocation Standing Data Changes, requires amendment to include the new interface for allocation to a Single BM Unit (P0185 equivalent), and the new process for SVAA receipt, validation and processing of such interface.

BSCP 508 Supplier Volume Allocation Agent, requires amendment to include the SVAA processing of such allocations to a Single BM Unit, and the new reporting interface to indicate the 'pre-allocation' BM Unit metered volumes for the affected Suppliers.

Service Description for Supplier Volume Allocation Agent, potentially requires amendment to incorporate the new processing of allocations to a Single BM Unit, reflecting the amendment to BSC Section S and Annex S1 and S2.

Data Transfer Catalogue, potentially requires amendment to incorporate the new reporting interface to indicate the 'pre-allocation' BM Unit metered volumes for the affected Suppliers.

SSL 300 Supplier Volume Allocation, requires amendment to include the allocation of BM Unit metered volumes to the Single BM Unit.

Supply Licence, potentially requires amendment to accurately reflect the responsibilities of Parties amalgamating supplier to such Single BM Unit.

Central Services Documentation, requires amendment to reflect the changes made to the functionality of the systems and the changes to reporting.

5.5 Option 2: Requirements for the Allocation to a Trading Unit

This Requirements Specification provides the definition of the changes required to support the implementation of Option 2: Allocation to a Trading Unit – one of the identified solutions to Modification Proposal P007. This option has a number of 'sub options' within it. These sub options propose to allow:

1. Affiliate Supplier BM Units,
2. Affiliate Supplier BM Units and any CVA BM Units, and
3. Any Supplier BM Units;

In the same GSP Group to be allocated to a Trading Unit so that the volume allocation for each BM Unit can be netted off within the Trading Unit.

The process for each of these sub options is the same, in that what comprises a Trading Unit is defined in the BSC and controlled / approved by the BSC Panel. Therefore there is no additional impact from

the implementation of any / all of these sub options. However, an assessment is required as to the appropriateness of the introduction of each of these sub options.

At a high level, The Lead Party of each BM Unit applies to the Panel for approval of the Trading Unit containing the requisite BM Units (in the same GSP Group). The Panel approves the request for the Trading Unit and this is registered in Central Services. Lead Party Suppliers determine the HH and NHH component allocations for their BM Units as currently defined. SVAA performs the Volume Allocation Run as currently defined and provides the Supplier Volume Allocation report to SAA. SAA utilises this report when performing the associated Settlement Run and carries out the relevant Settlement calculations taking into account that the nominated BM Units form a Trading Unit. The Settlement Reports produced reflect such calculation.

5.5.1 SVA Requirements

This option has no impact on SVA processes or processing and therefore no amendments are required.

5.5.2 CVA Requirements: BSC Panel Processing

The Lead Party for each of the BM Units comprising the Trading Unit applies to the Panel for approval of their nominated Trading Unit, comprising the designated BM Units for the same GSP Group. The Panel review the application and determine whether Trading Unit status can be granted. This will require an amendment to the 'rules' for granting such status and a view should be taken as to the constraints that should be applied to such Trading Unit applications.

The utilisation of Trading Units in such allocation makes such allocation relatively inflexible and 'undynamic', as there is an obligation to terminate the existing Trading Unit and re-apply for Trading Unit status with the new configuration, when any aspect of the Trading Unit changes and this is a relatively lengthy process. Therefore this may be considered to be impractical if the Suppliers wish to change such allocation frequently. Therefore if this is the required option, then consideration needs to be given to the frequency of required changes and, if appropriate, the potential for a change to the registration of Trading Units to make Trading Unit registration more dynamic under these circumstances.

The requisite flexibility could be achieved as follows:

- For Supplier BM Units, the Supplier can make allocations on a Settlement Day basis of the HH Metering Systems and NHH components required to be allocated to a specific BM Unit, therefore this mechanism could be utilised to move the required Metering Systems / NHH components in and out of the BM Unit(s) in the Trading Unit, thus achieving a reasonable level of flexibility. This utilises existing functionality and requires no amendments to Central Service functionality or to associated documentation.
- Derogating responsibility for granting Trading Unit status under these circumstances to BSCCo, or to a Sub Group of the BSC Panel. This should speed up the approval process and therefore the registration, making the Trading Units more flexible. For example, if a Trading Unit application under these circumstances meets a certain set of criteria, then the Trading Unit status can be granted by BSCCo on immediate receipt of the application and such approval is reported at the next BSC Panel meeting. If the criteria are not met, or there is doubt over whether the Trading Unit is valid, then the application can be escalated.

5.5.3 CVA Processing: Trading Unit Registration

Where the Panel approves such Trading Unit status, then the Trading Unit is registered with the Central Services – specifically the Central Registration Agent (CRA). CRA notifies the other BSC Agents, including SAA, and BSCCo and the Transmission Company of the new Trading Unit.

It is understood that there are no constraints within the Central Registration Agent (CRA) (and therefore other Central Services) on the association of BM Units with Trading Units, i.e. that if the BSC Panel have agreed that a set of BM Units comprise a Trading Unit, that there are no constraints within the Central Systems on the registration of such Trading Unit. Confirmation is required as to whether there are any constraints on such registration.

5.5.4 CVA Processing: Settlement Calculations

SAA performs the Settlement Run (the process will be the same for each Settlement Run type, other than the Interim Information Run, where there are no Metered Volumes for Supplier BM Units) using the Supplier Volume Allocations from SVAA. SAA performs the calculations taking into account that the designated BM Units comprise a Trading Unit. The Settlement Report (SAA-I014) thus generated will reflect this.

Again, it is understood that there are no constraints within the Settlement Administration Agent (SAA) on the association of BM Units with Trading Units, and the subsequent calculations required to be undertaken for Settlement purposes. Confirmation is required as to whether there are any constraints on such settlement processing.

5.6 Option 2: Documentation Impact

The following sections provide a high level view of the impact on documentation, the detailed impact is discussed in more detail in the subsequent sections of this Assessment Report.

5.6.1 Balancing and Settlement Code

Section K: Classification and Registration of Metering Systems and BM Units, requires amendment to the definition of what constitutes a Trading Unit to support such application for Trading Unit status.

No other amendments to the Balancing and Settlement Code are identified at this time.

5.6.2 Other Impacted Documentation

BSCP 31 Registration of Trading Units, requires amendment to support the process of registration if the process timescales are reduced, or the process is amended to allow more flexibility.

6 IMPACT ON BSC AND BSCCO DOCUMENTATION

6.1 Modification P07: Allocation to a Single BM Unit

As the P7MG are recommending that the Alternative Modification be progressed to the exclusion of the original Modification, the amendments for the original Modification – Allocation to a Single BM Unit, have been defined below for clarification and information, but to avoid unnecessary expenditure at this stage, there is no associated Legal Drafting for such amendments.

6.1.1 BSC

6.1.1.1 Section K: Classification and Registration of Metering Systems and BM Units

Under Option 1, allocation of metered volumes from other BM Units will be made to a Single BM Unit, therefore the Single BM Unit will have a Lead Party, but that Lead Party will not be responsible for all the Imports and Exports for that BM Unit, rather the Lead Parties of the composite BM Units will retain responsibility, and this needs to be reflected in this Section of the BSC.

1.2.1 (c) may not require amendment if the relevant amendments are made to Section K 3, however, this references the responsibilities of registration of BM Units which are affected by the implementation of Option 1.

1.2.2 the responsibilities defined in this section still appear to accord with the requirements under Option 1, therefore there does not appear to be any impact on this clause.

3.1 defines the configuration of BM Units, the main definition of BM Units should be retained without change to the materiality of the definition, for clarity, however, a new clause should be included that states that affiliate Suppliers with SVA BM Units within a GSP Group, can combine their metered volumes from these individual BM units to a Single BM Unit and that under the provisions of the Code, the responsibility for Imports and Exports remains with the BSC Party that is the registrant of the individual composite Metering System(s), or equivalent. This new clause should ensure that the responsibility for imports and exports is retained by the correct BSC Party.

3.1.3 requires amendment to ensure that the circumstances detailed above for 3.1 are covered.

3.1.4 (e) requires amendment to ensure that the circumstances detailed above for 3.1 are covered.

3.3 defines the provisions for the registration and maintenance of Supplier BM Units. This does not appear to require material amendment to support Option 1, as the responsibilities for registration of such BM Units and composite Metering Systems should be retained under this option. The specific amendments are detailed as follows:

3.3.7 requires amendment to add that, only under the circumstances defined under Option 1, namely affiliate Suppliers with BM Units within a GSP Group, Suppliers can assign the Plant and Apparatus associated with particular SVA Metering Systems to a Supplier BM Unit, Base or Additional, in accordance with the provisions of Section S6.

3.4.8 requires amendment to state that the Demand Capacity / Generation Capacity of the Single BM Unit should reflect the DC / GC of the true composite Metering Systems only, not the DC / GC of the Single BM Unit once other Metered Volumes have been allocated to it. This reflects the intent of DC / GC more accurately than making the DC / GC reflect the total capacity of the Single BM Units after allocations have been made from other Supplier BM Units.

6.1.1.2 Section P: Energy Contract Volumes and Metered Volume Reallocations

3 Although this section does not require material amendment, it should be noted that the definition of Lead Party for the Single BM Unit should be such that this Lead Party is the Lead Party for the purposes of MVRNA Authorisation and subsequent MVRN submission. This may require the addition of a clause to explicitly state this.

6.1.1.3 Section S: Supplier Volume Allocation

Under Option 1, the Lead Parties of Supplier Base and Additional BM Units are able to allocate the Metered Volumes from their BM Units to a Single BM Unit. Therefore Section S and associated Annexes require amendment to reflect this allocation.

6 defines the process for the allocation of SVA registered Metering Systems to Supplier BM Units. Therefore in order to support the Single BM Unit option an additional clause is required, in this section, to define the circumstances under which Affiliate Suppliers can allocate metered volumes from BM Units for which they are Lead Parties to a Single BM Unit (Additional or Base), making it clear that the provisions of clauses 6.2 and 6.3 apply to these composite BM Units prior to any allocation to a Single BM Unit, i.e. the Suppliers can still choose to allocate SVA Metering Systems to the individual BM Units, therefore 'controlling' what metered volumes are then subsequently allocated into the Single BM Unit.

The process for the allocation requires addition to this section and should be based on the requirements specification in Section 5 of this Assessment Report.

ANNEX S-2, 9.6 requires additional clause(s) to define the process for determining the BM Unit Allocated Demand Volume for the Single BM Unit, i.e. following the calculation and determination of the metered volumes for each of the individual composite BM Units, SVAA will aggregate the metered volumes into a metered volume for the Single BM Unit, according to the notification provided under Section S6 of the Code. The amendment / addition will contain reference to the fact that the SVAA calculated BM Unit metered volumes for the individual composite BM Units will be reported for the purposes of DUoS and TuoS.

6.1.1.4 Section V: Reporting

Table 7 – SVAA Reporting requires amendment to include a new report to the Lead Party Suppliers of each composite BM Unit comprising the Single BM Unit to notify them of the BM Unit metered volumes that have been aggregated to provide the metered volume for the Single BM Unit, and the total metered volume of the Single BM Unit.

6.1.1.5 Section X ANNEX X-1: General Glossary

'Lead Party' definition requires addition to cover the circumstances under Option 1, i.e. the Lead Party of the Single BM Unit.

6.1.2 Code Subsidiary Documents

6.1.2.1 BSCP 507 Supplier Volume Allocation Standing Data Changes

Under Option 1, allocation of metered volumes from other BM Units will be made to a Single BM Unit, therefore, this allocation requires an associated notification to the SVAA.

Section 2 requires addition of a new process, and therefore an associated workflow diagram, for notifying the SVAA of the BM Unit Allocation to the Single BM Unit. This process is as defined in Section 5 of this Assessment Report.

Section 3 requires addition of a new process, and therefore associated interface and timetable information, for notifying the SVAA of the BM Unit allocation to the Single BM Unit. This process is as defined in Section 5 of this Assessment Report.

Section 4.1.1 requires the addition of the new data flow required to support the notification of the BM Unit Allocation to the Single BM Unit. This interface is as defined in Section 5 of this Assessment Report.

Section 4.1.2 requires the addition of a new business event required to support the notification of the BM Unit Allocation to the Single BM Unit. This is as defined in Section 5 of this Assessment Report.

6.1.2.2 BSCP 508 Supplier Volume Allocation Agent

Under Option 1, allocation of metered volumes from other BM Units will be made to a Single BM Unit, therefore, this allocation requires SVAA to make the notified allocations and report them to the associated Suppliers.

Section 1.1.2 ii requires addition of a reference to the new process for allocating the calculated deemed take for the composite BM Units of the Single BM Unit to the Single BM Unit.

Section 2: 2.2. and 2.3 require amendments to the 'Workflow Diagrams' to reflect the additional steps required to allocate the metered volumes for the individual composite BM Units to the Single BM Units and to reflect the associated report generated to the relevant Suppliers, in accordance with the process defined in Section 5 of this Assessment Report.

Section 3: 3.2 and 3.3 require amendments to the interface and timetable information to reflect the additional steps required to allocate the metered volumes for the individual composite BM Units to the Single BM Units and to reflect the associated report generated to the relevant Suppliers, in accordance with the process defined in Section 5 of this Assessment Report.

6.1.2.3 SVAA Service Line 300 Supplier Volume Allocation

Section 1.6 requires an addition to reflect the new process for notifying the SVAA of the BM Unit allocation to the Single BM Unit. This process is as defined in Section 5 of this Assessment Report.

6.1.2.4 Data Transfer Catalogue

May require amendment to include the new reporting interface from SVAA the Lead Party Suppliers of each composite BM Unit comprising the Single BM Unit to notify them of the BM Unit metered volumes that have been aggregated to provide the metered volume for the Single BM Unit, and the total metered volume of the Single BM Unit.

6.2 The Alternative Modification: Allocation to a Trading Unit

The Legal Drafting for the amendments to the Code required for Option 2: Allocation to a Trading Unit is included in ANNEX 1 of this Assessment Report.

6.2.1 BSC

For the purposes of this draft Assessment Report, it is assumed that the chosen sub option of Option 2, is that any number of Supplier SVA and Licence Exemptable CVA BM Units within a GSP Group can form a Trading Unit.

However text for the allocation of any Affiliate Supplier BM Units to a Trading Unit has been included for completeness.

6.2.1.1 Section K: Classification and Registration of Metering Systems and BM Units

4 defines the provisions for configuration and registration of a Trading Unit. This section will therefore require amendment to define the circumstances for which Trading Unit status will be granted under the Modification. The clauses within this Section that require specific amendment are as follows.

4.4 defines the provisions under which an Exempt Export BM Unit can comprise a Trading Unit. This clause therefore requires amendment to reflect the circumstances under the Modification, by the addition of a clause that states that any number of SVA BM Units and CVA Exempt Export BM Units can form a Trading Unit subject to the granting of the Trading Unit status by the Panel.

ANNEX K-2 defines the configuration of Trading Units, this therefore requires amendment to introduce the concept of new a **Class 4** Trading Unit, which states that the Class 4 Trading Unit Application should contain confirmation / evidence from the Lead Parties of the nominated BM units, that the BM Units so nominated to comprise such Class 4 Trading Unit, are all SVA BM Units and / or CVA Exempt Export BM Units within the same GSP Group. The existing definition of a Class 4 Trading Unit becomes Class 5 (as this is a 'catch-all) category.

6.2.1.2 ANNEX X-1: General Glossary

The following amendment is required only if the Affiliate only Option of this Alternative Modification is approved.

ANNEX X-1 General Glossary requires a new definition – “Affiliate Supplier BM Units” to define the relationship of the BM Units in the Trading Unit.

6.2.2 Code Subsidiary Documents

6.2.2.1 BSCP 31 Registration of Trading Units

Section 1.6 “Trading Unit Approval” second paragraph will need to separately describe the approval process for the new Class 4 Trading Unit, approval is based on the type and location of the BM Units and not configuration as it currently states in the BSCP.

Application Timescales The new Class 4 Trading Unit, under the Code, will be approved on the basis that all Supplier BM Units are located in the same GSP Group. The proposal includes a requirement for the approval process timescales for the new Class 4 Trading Unit to be reduced. This can be achieved by incorporating a general statement in Section 1, adding a separate timescale in step 3.1.3 only applicable to the new Class 4 Trading Unit or incorporating a new section on the “Registration of Class 4 Trading Units”.

Step 3.1.2 Under “Information Required” Trading Unit Applicants are required to submit Form BSCP31/4.4 Registration of Trading Units Details Form. This form contains all MSIDs associated with the BM Units to be associated with the proposed Trading Unit. For Supplier BM Units, this step should indicate that this information will not be required.

Step 3.1.4 Confirmation will need to be sought from the relevant DSO(s) that all BM Units to be associated with the Trading Unit are located within the same GSP Group and this step should indicate this requirement.

Appendix 4 Needs to be updated to reflect the requirement of the new Class 4 Trading Unit, Information Required, generic description, applicable BSCP Forms and requirements as detailed in the

BSCP Forms. Amendment to make the existing Class 4 'catch all' Trading Unit definition, the Class 5 Trading Unit is required.

BSCP31/4.4 Form Registration of Trading Units Details Form. This form contains all MSIDs associated with the BM Units to be associated with the proposed Trading Unit. For Supplier BM Units, this step should indicate that this information will not be required.

6.3 BSCCo Memorandum and Articles of Association

No Impact for either the Modification or the Alternative Modification.

7 IMPACT ON BSC AGENT SYSTEMS

It should be noted that the impact assessment received from the central services, other than SVAA, is a High Level Impact Assessment. However, since this indicates that there is no impact on such central services, this is not perceived to be an issue.

The full impact assessments from the BSC Agents are provided in ANNEX 2 of this Assessment Report.

7.1 The Modification: Allocation to a Single BM Unit

7.1.1 Registration

No Impact. The Central Registration Agent has confirmed that there is no impact on the registration process / system functionality from implementation of the Modification. The impact assessment is provided in ANNEX 2 of this Assessment Report.

7.1.2 Contract Notification

No Impact.

7.1.3 Credit Checking Systems

No Impact.

7.1.4 Balancing Mechanism Activities

No Impact.

7.1.5 Collection and Aggregation of Metered Data

No Impact.

7.1.6 Supplier Volume Allocation

Impact on both SVAA functionality and processing, as defined in Section 5 of this Assessment Report, on which the impact assessments are based.

ANNEX 2 contains the complete Supplier Volume Allocation Agent System impact assessment.

In summary, the **SVAA System** impact assessment indicates that this is a complex change to the SVAA system functionality, requiring implementation of the following changes, and the production of associated documentation to support such amendments:

- System Functionality changes, including database and form changes to support the BM Unit Allocations, and the associated archiving requirements;
- New Interface specifically to receive the BM Unit Allocations;
- Amendments to the validation of the existing D0299 interface to ensure maintenance of the correct BM Unit Ids and relationships;
- Amendments to the P0182 report to support the allocation from effective BM Units into a Single BM Unit; and

- New Interface specifically to report to Suppliers the allocations they have made to the Single BM Unit.

There is an inherent requirement for a significant amount of testing to support the implementation of such changes to the SVAA functionality.

The total cost of this change to SVAA System functionality is given as: **£77,867**

The timescales provided for implementation are: **12 weeks**

ANNEX 2 contains the complete Supplier Volume Allocation Agent Service impact assessment.

In summary, the **SVAA Service** high level impact assessment indicates that this is a complex change to the SVAA Service and that initial costs will be incurred in the amendment, testing and implementation of the Data Marshalling and Logging Application in order to support this change and then an ongoing operational cost will be incurred to support the ongoing mechanism of allocation to a Single BM Unit.

The initial development and implementation of the changes required under the Modification indicate that:

- The new interface will require changes to the Logging and Data Marshalling Applications; and
- Additional validation of the Market Domain Data Interface (D0299) will be required to ensure that there is no incompatibility with the BM Unit allocations.

The SVAA Service impact assessment also indicates the testing requirements for the change to support the Modification, namely:

- Application Management Unit Testing, System Testing and Business Operations User Acceptance Testing on the Data Marshalling and Logging Applications; and
- A recommendation that 'full width' testing of the functional changes to the system / service, including Interface testing with the Data Marshalling and Logging Applications, is undertaken.

A recommendation is made that any implementation of the changes required is delayed until after the Oracle 8 upgrade, namely Q2 2002.

The impact assessment states that no allowance has been made for System Integration testing, Pre Production testing or End to End testing involving external Parties.

The operational cost of this change is given (**per Single BM Unit allocation**) as: **£16.94**

The total cost of this change to SVAA Service functionality is given as: **£20,000**

The timescales provided for implementation are: **Q2 2002**

7.1.7 Settlement

No Impact – the Settlement Administration Agent has confirmed that there is no impact on the Settlement process / system functionality from implementation of the Modification. The Impact Assessment is provided in ANNEX 2 of this Assessment Report.

7.1.8 Clearing, Invoicing and Payment

No Impact. The Funds Administration Agent has confirmed that there is no impact on the FAA system functionality and processing from the implementation of the Modification. The impact assessment is provided in ANNEX 2 of this Assessment Report.

7.1.9 Reporting

Impact as defined in Section 5 and Section 6 of this Assessment Report, namely the inclusion of a new report from SVAA to Suppliers.

7.2 The Alternative Modification: Allocation to a Trading Unit

7.2.1 Registration

No Impact. The Central Registration Agent has confirmed that there is no impact on the registration process / system functionality from implementation of the Alternative Modification. The impact assessment is provided in ANNEX 2 of this Assessment Report.

7.2.2 Contract Notification

No Impact.

7.2.3 Credit Checking Systems

No Impact.

7.2.4 Balancing Mechanism Activities

No Impact.

7.2.5 Collection and Aggregation of Metered Data

No Impact.

7.2.6 Supplier Volume Allocation

No Impact.

7.2.7 Settlement

No Impact. The Settlement Administration Agent has confirmed that there is no impact on the Settlement process / system functionality from implementation of the Alternative Modification. The impact assessment is provided in ANNEX 2 of this Assessment Report.

7.2.8 Clearing, Invoicing and Payment

No Impact. The Funds Administration Agent has confirmed that there is no impact on the FAA system functionality and processing from the implementation of the Alternative Modification. The impact assessment is provided in ANNEX 2 of this Assessment Report.

7.2.9 Reporting

No Impact.

8 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS

8.1 Grid Code

No Impact from either the Modification or the Alternative Modification.

8.2 Master Connection and Use of System Agreement (MCUSA)

No Impact from either the Modification or the Alternative Modification.

8.3 Supplemental Agreements

No Impact from either the Modification or the Alternative Modification.

8.4 Ancillary Services Agreements (ASAs)

No Impact from either the Modification or the Alternative Modification.

8.5 Master Registration Agreement (MRA)

No Impact from either the Modification or the Alternative Modification.

8.6 Data Transfer Services Agreement (DTSA)

No Impact from either the Modification or the Alternative Modification.

8.7 British Grid Systems Agreement (BGSA)

No Impact from either the Modification or the Alternative Modification.

8.8 Use of Interconnector Agreement

No Impact from either the Modification or the Alternative Modification.

8.9 Pooling and Settlement Agreement (PSA)

No Impact from either the Modification or the Alternative Modification.

8.10 Settlement Agreement for Scotland (SAS)

No Impact from either the Modification or the Alternative Modification.

8.11 Distribution Codes

No Impact from either the Modification or the Alternative Modification.

8.12 Distribution Use of System Agreements (DUoSAs)

No Impact from either the Modification or the Alternative Modification.

8.13 Distribution Connection Agreements

No Impact from either the Modification or the Alternative Modification.

9 IMPACT ON ELEXON

9.1 The Modification: Allocation to a Single BM Unit

No Impact.

9.2 The Alternative Modification: Allocation to a Trading Unit

The impact on ELEXON from the implementation of this Option, is limited to a procedural impact. Where the registration timescales of registering a new 'Class 4' Trading Unit are reduced, this may be effected by the Panel delegating authority to ELEXON to approve Trading Unit status against a specific set of criteria and report to the Panel to provide confirmation of such approval. Therefore there may be a marginally increased resource requirement on ELEXON to operate and maintain this procedure. However, it is expected that such operational burden will not be significant, due to there being a relatively small number of potential such Trading Units. Therefore, it is considered that there would be no increase in ELEXON costs.

10 IMPACT ON PARTIES AND PARTY AGENTS

10.1 Parties

10.1.1 The Modification: Allocation to a Single BM Unit

Parties who do not utilise the process for the allocation to a Single BM Unit will not be impacted.

However, Parties who chose to take advantage of this process will be impacted by the:

- Requirement to implement the new (manual) processing for notifying the SVAA of the requirement to make such allocation to a Single BM Unit.
- Requirement to implement the receipt of the new report from SVAA to detail the allocation of the Single BM Unit.

The responses received from BSC Parties (provided in ANNEX 6 of this Assessment Report) indicate that this option is not favoured. The responses indicate that this option could have significant impact on BSC Party systems functionality and processing and take up to six months to implement.

10.1.2 The Alternative Modification: Allocation to a Trading Unit

Parties who do not utilise the process for the allocation to a Trading Unit will not be impacted.

However, Parties who chose to take advantage of this process will be impacted only by a change to the registration requirements, which are predominantly manual and utilise the existing process in entirety. Therefore it is believed that this impact will be minimal, and predominantly procedural.

The responses received from BSC Parties (provided in ANNEX 6 of this Assessment Report) indicate that this is the preferred option. The responses indicate that this option has significantly lower impact on BSC Party systems functionality and processing than option 1, with implementation up to 2 months.

10.2 Party Agents

No Impact from either the Modification or the Alternative Modification.

11 LEGAL ISSUES

11.1 The Modification: Allocation to a Single BM Unit

It is believed that the Modification has significant legal impact from the point of view of the definitions of responsibility for Supply. It is believed that the definitions of the responsible Party for Imports / Exports hinge around registration of Metering Systems and BM Units. However, under the allocation to a Single BM Unit, there may be many different Parties responsible for the Imports and Exports amalgamating their Import / Export into a Single BM Unit. This therefore introduces the issue whereby the definition of who is responsible for that Single BM Unit, both with respect to the responsibilities where one of the Suppliers comprising that Single BM Unit defaults, and with respect to 'trading' that Single BM Unit under NETA (submission of MVRNs, MVRNAAs, submission of registration information etc.). Therefore the legal ramifications of implementing this option are potentially significant.

11.2 The Alternative Modification: Allocation to a Trading Unit

No Impact.

12 SUMMARY OF REPRESENTATIONS

12.1 Initial Consultation Responses

At the Definition Report consultation stage, eight responses were received. The majority view was that clarification and further definition was required. One respondent considered that for solutions involving changing the Code, the benefits would be out-weighed by the cost of making changes. These responses were discussed in the P07 Definition Report (Reference 3) but are included in this Assessment Report for information.

Details of these responses are provided in ANNEX 5 of this Assessment Report.

12.2 Second Consultation and Impact Assessment Responses

At the second consultation stage ten responses (other than the Transmission Company and BSC Agent Impact Assessments, which are treated separately in this Assessment Report) were received. The following provides a summary of the responses received. The full detail of the responses is provided in ANNEX 6 of this Assessment Report.

- Three responses were 'No Comment'.
- One response rejected both the Modification and the Alternative Modification. The reasons stated were:
 - No benefits for the Organisation concerned;
 - High system costs for implementation of both options, and long implementation timescales (in the region of 90 days);
 - Belief that the costs the Modification Proposal is seeking to reduce will be moved around rather than reduced; and
 - Belief that the current arrangements are not unfair and that companies impacted could achieve the same results through internal measures, rather than industry change.
- Nine responses indicated a preference for the implementation of the Alternative Modification: Allocation to a Trading Unit. Of those eight responses:
 - Two responses indicated a preference for Sub Option 1 – Allocation to a Trading Unit for Affiliate Supplier BM Units only, with one response noting that this was sufficient as the Balancing and Settlement Code has provisions for enabling incorporation of CVA registered Licence Exemptable Generator BM Units into such Trading Units;
 - Three responses indicated a preference for Sub Option 2 – Allocation to a Trading Unit of Affiliate Supplier BM Units and any CVA BM Units; and
 - Two responses indicated a preference for Sub Option 3 – Any Supplier BM Units, with one response noting that constraining the Trading Unit to Affiliate Suppliers in a GSP Group was unnecessarily restrictive, therefore they would support any Supplier and any CVA Licence Exemptable Generator BM Units within GSP Group.
- All eight responses indicated that the Modification would have significant impact on their systems and processing. Specific comments included:

- An indication that the effort for implementation of The Modification would be better spent attempting to define a process for 'en bloc' transfer of registrations between Suppliers; and
- The Modification has a significant impact and therefore would not be supported.

The P7MG considered these responses in conjunction with those received from the BSC Agents and the Transmission Company and recommended that the Alternative Modification Proposal be progressed with the recommendation that any number of SVA BM Units within a GSP Group could be allocated to a Trading Unit. This, under the current provisions of the Code, also enables any number of CVA Licence Exemptable Generator BM Units to be associated with such Trading Unit.

The P7MG noted the rejection and the reasons for such rejection and made the following comments in response:

No benefits for the Organisation responding – The P7MG recognised that there were organisations whom this Modification would not benefit, however, the P7MG believes there to be material benefits for other organisations, including small generators, in the implementation of such Modification / Alternative Modification.

High system costs for implementation of both options, and long implementation timescales (in the region of 90 days) – The P7MG noted that there is no impact from implementation of either the Modification or the Alternative Modification on those Parties not wishing to utilise the processes defined in such Modifications. Therefore if the responding organisation did not incur any implementation costs if they chose not to implement the Modification / Alternative Modification.

Belief that the costs the Modification Proposal is seeking to reduce will be moved around rather than reduced – The P7MG recognise this aspect of the Modification / Alternative Modification, but noted that the Modification / Alternative Modification is attempting to both reduce discrimination against smaller Licence Exemptable Players by increasing the potential for them contracting with a number of Suppliers and for maximising embedded benefits, and to increase transparency in the trading arrangements.

Belief that the current arrangements are not unfair and that companies impacted could achieve the same results through internal measures, rather than industry change – The P7MG noted that one of the objectives of the BSC is to increase efficiency in competition, and that therefore both the Modification and the Alternative Modification were attempting to do so by reducing the requirement for BSC Parties to arrange and maintain complex contractual arrangements outside of the BSC, when there is no reason for such restrictions in the trading arrangements necessitating the requirement for such contracts. The P7MG believes that the objectives of the BSC are better met by the implementation of this Modification / Alternative Modification.

The P7MG took account of all consultation comments and Impact Assessments received in order to make such recommendation and the rationale for these recommendations are provided in Section 1.3 of this Assessment Report.

12.3 Third Consultation

There was a further consultation after the Panel meeting on 26th July 2001 when the Modification was returned for further analysis. This consultation clarified the sub-options for the Trading Unit option. The 'CVA registered BM Units' referred to should have been identified as 'Licence Exemptable Generator CVA registered BM Units' and as two of the three sub-options were effectively the same these were reduced to two options.

The options for Modification P7 presented in the third Industry consultation were as follows:

- (1) Allow allocation of Supplier Demand for Affiliated Suppliers within a GSP Group to a Single BM Unit.
- (2) Allow allocation of Supplier Demand to a Trading Unit; there are two sub-options to this option:
 - (i) Affiliate Supplier BM Units and any CVA Licence Exemptable Generator BM Units within a GSP Group, or
 - (ii) Any Supplier BM Units and any CVA Licence Exemptable Generator BM Units within a GSP Group.

There were eight responses of which seven did not wish to modify their original response and one who supported the Trading Unit option with the sub-option (ii) to allow any Supplier BM Units and CVA registered LEGs to be combined in a Trading Unit for a GSP Group.

The responses of the third consultation were therefore consistent with those from the second consultation and supported the P7 Modification Group's proposal of the Alternative Modification.

13 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

The following is a summary of the Transmission Company impact assessment, with a complete copy of the analysis provided at ANNEX 4 of this Assessment Report.

Therefore from the summary below, it can be seen, at a high level, that:

- **The Modification: Allocation to a Single BM Unit** is:
 - Accepted by the Transmission Company; and
 - Has no impact on the Transmission Company processes or systems.
- **The Alternative Modification: Allocation to a Trading Unit; Sub-option 1** is:
 - Rejected by the Transmission Company;
 - Potentially has significant impact on the Transmission Company processes and systems;

13.1 The Modification: Allocation to a Single BM Unit

- (a) The Modification: Allocation to a Single BM Unit has no impact on the ability of the Transmission Company to discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated transmission system.
- (b) No comment was made by the Transmission Company in their impact assessment with regards to the views and rationale of the Transmission Company as to whether the Modification would better facilitate achievement of the Applicable BSC Objective(s).
- (c) The Transmission Company indicated that the Modification: Allocation to a Single BM Unit had the following impact:
 - (i) **Nil impact** on the computer systems and processes of the Transmission Company;
 - (ii) **Nil impact** on the changes required to such systems and processes in consequence of the Modification; and
 - (iii) **Nil development, capital and operating costs** incurred in and as a result of implementing the Modification and any consequential change to Core Industry Documents.

13.2 The Alternative Modification: Allocation to a Trading Unit

- (a) The Alternative Modification: Allocation to a Trading Unit has significant impact on the ability of the Transmission Company to discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated transmission system. The extent of the impact is such that **the Transmission Company does not agree with the proposed changes to support this option.**
- (b) No comment was made by the Transmission Company in their impact assessment with regards to the views and rationale of the Transmission Company as to whether the Modification would better facilitate achievement of the Applicable BSC Objective(s).

- (c) The Transmission Company has provided an indication of the impact of the Alternative Modification: Allocation to a Trading Unit and have indicated that this option has:
- (i) **Significant impact** on the computer systems and processes of the Transmission Company;
 - (ii) **Significant impact** on the changes required to such systems and processes in consequence of the Modification; and
 - (iii) **Significant development, capital and operating costs** incurred in and as a result of implementing the Modification and any consequential change to Core Industry Documents.

The Transmission Company has not provided a detailed breakdown / analysis of the impact of implementing the Alternative Modification. Therefore the following represents a summary of the indicated impact:

- Under this Alternative Modification the Transmission Company believe that they would have to change the charging methodology for Transmission Network Use of System (TNUoS) charges and then make any associated amendments to its processes and / or systems.
- The current TNUoS charging methodology has been approved by the Authority to come into force under the Transmission Licence conditions associated with CUSC implementation. Therefore any amendment to the Trading Unit rules, as would be required under this Alternative Modification, requires that the Transmission Company go for consultation and notification to amend the relevant charging methodologies. Therefore, the Transmission Company cannot determine the nature of such amendments until the results of such consultation and notification are known. This places a constraint on the implementation of this option of the Modification Proposal to a date not earlier than the completion of the Transmission Company's charging modification process.
- The nature of the changes required to the Transmission Company's charging systems is also dependent upon the outcome of the consultation process referenced above. If it is assumed that the changes to the charging methodology do not require complex changes to the software functionality, then the Transmission Company believes that the changes will cost in the region of £100,000 to £500,000 and be undertaken as part of a typical maintenance project.

The P7MG noted that the Transmission Company had stated that that the implementation of this Alternative Modification, for both the Affiliate and any Supplier BM Unit variants, would necessitate changes to the Transmission Company's Charging Methodology (as detailed by the Transmission Company in their impact assessment, ANNEX 4). More specifically the Transmission Company believed that the methodology for charging for Transmission Network Use of System (TNUoS) would be affected. However, it was also suggested that it might be theoretically possible for a Trading Unit to exist under the current structure (i.e. prior to any implementation of P07) that would require the Transmission Company to charge in a way that would be necessary after the implementation of P07. Based upon the information provided by the Transmission Company, it was not possible for the P7MG to ascertain whether or not any changes would be needed, nor how much these would be likely to cost in the event that they were required.

The impact of Modification P07 on the Transmission Company's charging methodology was noted by the P7MG, but was judged to be outside the direct scope of the Modification Group. It was

therefore believed that it would be appropriate to draw this to the attention of the Panel, whom it is recommended should highlight the issue to the Authority. The Authority may then take the matter into account in making its decision in relation to any recommendation by the Panel.

14 PROJECT BRIEF – EXECUTIVE SUMMARY

The detailed costs and timescales provided here are based on the costs and timescales received from the NETA Central Service Agent and on those development and implementation costs and timescales projected by ELEXON

A Project Brief - 010AMB 'Modification Proposal P007 Project Brief' (Reference 5), has been prepared which sets out, in high level terms, a proposed project for implementation of the changes required to support the implementation of the amendments required to the Code and Code Subsidiary documentation for the Alternative Modification only.

ELEXON will be responsible for managing implementation of the Alternative Modification. The P7MG reviewed the implementation options and have recommended that the Alternative Modification be implemented as a standalone ELEXON project. This provides the most efficient and cost effective option for implementation of the Alternative Modification.

Therefore, for the implementation of the Alternative Modification, ELEXON will incur project costs of a maximum of £15,000 which include those for changes to the Code and Code Subsidiary Documents as well as for the relevant degree of Market Participant testing. It should be noted that these ELEXON costs do not include any project management or audit costs.

Therefore, in summary, the Alternative Modification will:

- **Incur ELEXON development and implementation costs of £15,000;**
- **Be implemented as part of a standalone ELEXON Project; and**
- **Be implemented within four weeks of approval.**

In order to provide a complete representation of the information the P7MG utilised in making the decision to recommend that the Alternative Modification be progressed, the information on costs and timescales provided for the original Modification is provided in the table below. The values in the table are based on the implementation costs and timescales provided by the relevant BSC Agents. These costs and timescales apply to the development and implementation of the new functionality within NETA Central Services and do not include any allowance for external testing, nor do they include ELEXON project costs.

The ELEXON development and implementation costs are for implementation of the changes required for the Modification under a dedicated ELEXON Project, and the costs and timescales include allowance for changes to the Code and Code Subsidiary Documents as well as for the relevant degree of Market Participant testing (this will extend past the implementation timescales of the BSC Agents in order to test external integration). It should be noted that these ELEXON costs do not include any project management or audit costs

The Modification: Allocation to a Single BM Unit

System	Cost	Timescale
SVAA (System)	£77,867	12 weeks
SVAA (Service)	£20,000	Q2 2002
ELEXON Development and Implementation	£80,000	18 weeks
TOTAL:	£177,867	Q2 2002

ANNEX 1 – PROPOSED TEXT TO MODIFY THE BSC

Alternative Modification: Allocation to a Trading Unit

The requisite amendments to the Balancing and Settlement Code for the Alternative Modification: Allocation to a Trading Unit for SVA BM Units and CVA registered Licence Exemptable Generator BM Units within a GSP Group, are presented in this Annex.

Section K 4.4.1

“4.4.1 Where:

- (a) any relevant BM Unit(s) (the “**TU BM Unit(s)**”) belong to a Trading Unit (either a Sole Trading Unit or a Trading Unit registered in accordance with paragraph 4.5 ~~but not containing more than one Supplier BM Unit~~), and
- (b) there is ~~a~~ Exempt Export BM Unit in the same GSP Group as the TU BM Units,”

This amendment will enable any number of Supplier BM Units and one or more Exempt Export BM Units to be associated with the same Trading Unit. The amendment will still prohibit an Exempt Export BM Unit being associated with a Trading Unit that has BM Units with CVA Metering Systems. The proposed rewording of section 4.4.1 will allow the following combinations of BM Units to be associated with the same Trading Unit:

- Two or more Exempt Export BM Units;
- Many Supplier BM Units and one or many Exempt Export BM Units.

Section Annex K-2

“1.1.2 Every Trading Unit Application shall state whether it is a Class 1, Class 2, Class 3, ~~or~~ Class 4 ~~or~~ Class 5 application and the Panel shall consider a Trading Unit Application by reference to the provisions set out in this Annex K-2 for the stated class (or, in the case of paragraph 1.5.6, as provided therein).”

The above changes identify the requirement to introduce an additional Class of Trading Unit. The new class introduced is a new Class 4 with the current Class 4 being renamed Class 5. Class 5 will therefore still be the last “catch all” Trading Unit.

Section Annex K-2 New Class 4 Trading Unit

1.5 Class 4

1.5.1 If the Trading Unit Application shall state that it is a Class 4 application then the Panel shall determine from the Trading Unit Application and supporting documentation and other matters (and any further evidence provided in

accordance with paragraph 1.7) if all nominated Supplier BM Units are located in the same GSP Group and;

A new Class 4 Trading Unit has been developed which will allow Supplier BM Units located in the same GSP Group to be associated with the same Trading Unit. It will also allow Exempt Export BM Units also located in the same GSP Group to be associated with an approved Class 4 Trading Unit, Code Section K 4.4.1.

Section Annex K-2 1.1.2

1.1.2 “Every Trading Unit Application shall state whether it is a Class 1, Class 2, Class 3, ~~or~~ Class 4 or Class 5 application and the Panel shall consider a Trading Unit Application by reference to the provisions set out in this Annex K-2 for the stated class (or, in the case of paragraph 1.~~5~~ 6, as provided therein).”

Section Annex K-2 1.2.1

1.2.1 “If the Trading Unit Application shall state that it is a Class 1 application then the Panel shall determine from the Trading Unit Application and supporting documentation and other matters (and any further evidence provided in accordance with paragraph 1.~~6~~ 7) if the nominated BM Units are or are to be electrically configured in the same manner as is prescribed in one of the line diagrams contained in BSCP 31 and fulfil or will fulfil all the conditions specified in such BSC Procedure applicable to a Class 1 application, in which event the nominated combination of BM Units shall be treated as belonging to a single Trading Unit.”

Section Annex K-2 1.3.1

1.3.1 “If the Trading Unit Application shall state that it is a Class 2 application then the Panel shall determine from the Trading Unit Application and supporting documentation and other matters (and any further evidence provided in accordance with paragraph 1.~~6~~ 7) if the nominated BM Units are or are to be electrically connected solely by Dedicated Assets, in which event the BM Units shall be treated as belonging to a single Trading Unit.”

Section Annex K-2 1.4.1

1.4.1 “If the Trading Unit Application shall state that it is a Class 3 application then the Panel shall determine from the Trading Unit Application and supporting documentation and other matters (and any further evidence provided in accordance with paragraph 1.~~6~~ 7) if the nominated BM Units are or are to be electrically connected by Contiguous Assets, in which event the nominated BM Units shall be treated as a single Trading Unit.”

Section Annex K-2 1.6

“1.6 Class ~~4~~ 5

1.~~6~~ 5.1 If the Trading Unit Application shall state that it is a Class 5 application or if the Panel shall determine that the nominated BM Units the subject of a Class 1, Class 2, ~~or~~ Class 3 or Class 4 Trading Unit Application do not satisfy the conditions specified in paragraphs 1.2, 1.3, 1.4 or (as the case may be) 1.5, the Panel shall determine from the Trading Unit Application and supporting documentation and other matters (and any further evidence provided in accordance with paragraph 1.~~6~~ 7) if the nominated BM Units shall be treated as a Trading Unit having regard to the criteria set out in paragraph 1.~~6~~ 5.2.

1.~~6.5~~.2 The criteria referred to in paragraph 1.~~5-6~~.1 are:

- (a) whether, although not satisfying the conditions applicable to a Class 1, Class 2, ~~or~~ Class 3 or Class 4 Trading Unit Application, the Trading Unit Application demonstrates (to the reasonable satisfaction of the Panel) sufficient similarities with sites which would satisfy those conditions such that it would be unreasonable not to treat the nominated BM Units as a single Trading Unit;
- (b) whether there are any other facts or evidence in support of the Trading Unit Application that in the reasonable opinion of the Panel demonstrate that the nominated BM Units ought to be treated as a single Trading Unit.

1.~~6.7~~ Further evidence

1.~~6.7~~.1 The Panel may request a Trading Unit Applicant to produce such further evidence as the Panel may reasonably require in support of its Trading Unit Application before the Panel makes any determination as to whether the nominated BM Units are to be treated as a Trading Unit, and the Panel shall not be bound to make any determination on the issue of whether the nominated BM Units are a Trading Unit pending receipt of such further evidence.”

Additional changes highlighted above reflect the renumbering and the new Trading Unit Class that has resulted from the introduction of a new Class 4 with the old Class 4 now being named Class 5.

ANNEX 2 – BSC AGENT IMPACT ASSESSMENTS

See separate document 'Assessment Report Consultation Responses' for Annexes 2 to 7.