

November 2002

**DRAFT MODIFICATION REPORT
MODIFICATION PROPOSAL P96–
'MERGER OF ASSESSMENT AND
DEFINITION PHASES IN THE
MODIFICATION PROCESS'**

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

Document Reference	P096RC
Version no.	0.2
Issue	Draft
Date of Issue	22 November 2002
Reason for Issue	For Consultation
Author	ELEXON

I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Signature	Change Reference
0.1	21/11/02	ELEXON		ELEXON Review
0.2	22/11/02	ELEXON		For Consultation
0.3	12/12/02	ELEXON		For Panel Decision
1.0		ELEXON		For Authority Determination

b Distribution

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

c References

Ref.	Document	Owner	Issue Date	Version
1	P96 Initial Assessment	ELEXON	12 September 2002	1.0
2	P96 Assessment Report	ELEXON	14 November 2002	1.0

Unless otherwise stated electronic copies of these documents can be found on the BSC website, at www.elexon.co.uk.

d Intellectual Property Rights and Copyright

This document contains materials the copyright and other intellectual property rights in which are vested in ELEXON Limited or which appear with the consent of the copyright owner. These materials are made available for you to review and to copy for the purposes of the establishment, operation or participation in electricity trading arrangements in Great Britain under the BSC. All other commercial use is prohibited. Unless you are a person having an interest in electricity trading in Great Britain under the BSC you are not permitted to view, download, modify, copy, distribute, transmit, store, reproduce or otherwise use, publish, licence, transfer, sell or create derivative works (in whatever format) from this document or any information obtained from this document otherwise than for personal academic or other non-commercial purposes. All copyright and other proprietary notices contained in the original material must be retained on any copy that you make. All other rights of the copyright owner not expressly dealt with above are reserved.

II CONTENTS TABLE

I	Document Control	2
a	Authorities	2
b	Distribution	2
c	References	2
d	Intellectual Property Rights and Copyright.....	2
II	Contents Table	3
1	Summary and Recommendations	4
1.1	Recommendations	4
1.2	Background	4
1.3	Rationale for Recommendations	4
2	Introduction	5
3	History of Proposed Modification	5
4	Description of Proposed Modification	6
5	Rationale for panel recommendations	6
6	Legal Text	6
7	Assessment	6
8	Summary of Representations	6
	Annex 1 – Representations	7

1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendations

On the basis of the analysis, consultation and assessment undertaken in respect of Modification Proposal P96 (P96) and the resultant findings of this report, the Balancing and Settlement Code Panel (the Panel) recommends that:

Proposed Modification P96 should be made with an Implementation Date of 15 Business Days after the Authority decision.

1.2 Background

Modification Proposal P96 'Merger of Assessment and Definition Phases in the Modification Process' (P96) was raised by Dynegy UK Ltd on 13 August 2002. The Initial Written Assessment (Reference 1) was considered by the BSC Panel at their meeting on 12 September 2002. The Panel agreed to submit P96 to the Assessment Procedure, to be undertaken by the Governance Standing Modification Group (GSMG). The Panel also agreed that an Assessment Report (Reference 2) be presented to the Panel on 14 November 2002.

The GSMG conducted the Assessment Procedure in accordance with the Panel's requirements and presented the Assessment Report, making the recommendations set out above, to the Panel for consideration at their meeting on 14 November 2002. The Panel agreed with the GSMG's recommendations and that P96 should proceed to the Report Phase and that the Draft Modification Report contain a provisional recommendation that the Proposed Modification should be made.

[The Panel considered the draft Modification Report at its meeting on 12 December 2002, together with the responses to the consultation and confirmed their view and determined to make the recommendations set out above.]

P96 seeks to increase the efficiency of the existing separate process of Definition and Assessment Procedures by amalgamating them into a single process, the Evaluation Procedure.

1.3 Rationale for Recommendations

The GSMG believe that P96 would better facilitate the achievement of Applicable BSC Objective (d) – 'the promotion of efficiency in the implementation and administration of the balancing and settlement arrangements for the following reasons:

- The additional flexibility of the procedure will increase the overall efficiency of the process, without detracting from the level of certainty that it affords parties as to how their proposals will be progressed;
- Fewer consultations may be possible and consultations will only take place at the most appropriate times, thereby increasing the overall efficiency of the process and may encourage more (particularly smaller) participants to respond;
- No hiatus in the process between the Definition and Assessment Procedures, whilst awaiting a Panel decision, should allow more timely progression;
- Time spent during the Evaluation Procedure will be better spent, as process requirements will be more clearly understood; and

- P96 will address the current feature of the Procedures whereby it is not possible to define and evaluate proposals in a flexible and iterative manner.

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Panel, in accordance with the terms of the Balancing and Settlement Code ('the Code'). The Code 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 Code.

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 HISTORY OF PROPOSED MODIFICATION

P96 was raised by Dynegy UK Ltd on 13 August 2002. The Initial Written Assessment was considered by the Panel at its meeting on 12 September 2002. The Panel agreed to submit P96 to the Assessment Procedure, to be undertaken by the GSMG. The Panel also agreed that an Assessment Report be presented to the Panel on 14 November 2002.

The GSMG met twice during the Assessment Procedure for P96 (18 September 2002 and 22 October 2002). An Assessment Procedure consultation was prepared seeking participant opinion on whether or not P96 would better facilitate the achievement of the Applicable BSC Objectives. This was distributed on 2 October 2002 and allowed 10 Working Days for responses.

15 responses (62 Parties) were received as a result of the Assessment Procedure consultation. 14 respondents were in favour of P96; 1 respondent was against.

The respondent who did not support the proposed modification suggested that the introduction of the Evaluation Procedure would make little difference to the efficiency and timeliness of the process. The GSMG felt that this would not be the case as the removal of the 'dead time' at the end of the Definition Procedure waiting for the Panel to review and approve the Definition Report would speed up the process. Also, the GSMG felt that the removal of the additional mandatory consultation/impact assessment within the Definition Procedure should also increase efficiency. The GSMG felt that participants are currently unsure what is required of them when they receive requests for consultation during the Definition Procedure. This has led to Modification Groups sometimes receiving the same information twice or participants not responding at all.

An alternative proposal was suggested whereby it would be possible to retain the existing Definition and Assessment Procedures and introduce a third Procedure – the amalgamation of the two. The GSMG agreed that they did not support this proposal, as it was likely to add further complexity to the procedures, rather than to simplify or add flexibility.

An Assessment Report (Reference 2) was produced recommending that the proposed Modification Proposal should be made. This was presented to the Panel on 14 November 2002. The Panel concurred with the GSMG's recommendations and agreed that P96 should proceed to the Report Phase.

Accordingly, a draft Modification Report was prepared and issued for consultation on 22 November 2002. A summary of the responses received can be found in section 8 and copies of all responses found in Annex 1 of this report.

4 DESCRIPTION OF PROPOSED MODIFICATION

P96 seeks to reduce the overall timescale to process a Modification Proposal through the modification process by merging the Definition and Assessment Procedures to create an Evaluation Procedure. This would allow each modification to be defined and assessed as one complete stage. The same range of definitional and assessment activities would be undertaken, but in a single process. The Proposer also suggested that this change would introduce greater clarity and flexibility into the Modification Procedures and would facilitate more effective consultation on modifications.

The proposed modification also ensures that transitional arrangements are in place to allow continued progression of modifications currently with the process.

5 RATIONALE FOR PANEL RECOMMENDATIONS

[The Panel agreed with the recommendation of ELEXON as set out within the IWA in that approval of P96 would better facilitate the achievement of applicable BSC Objective (d). All consultation respondents who provided a comment supported this view. The rationale for this is that it will allow additional flexibility and increased efficiency into the Modification Procedure.]

6 LEGAL TEXT

The legal text for P96 can be found as Attachment 1 of this Report.

7 ASSESSMENT

The GSMG determined that a detailed assessment of the impact of making the changes on central and parties' systems and processes should not be undertaken as no changes would be required to any systems and any changes to processes would be of a minor nature.

The proposed modification will require amendments to be made to Section F and X-1 of the Code. No changes will be required to any Code Subsidiary Documents.

The details of the assessment of P96 are contained within the P96 Assessment Report (Reference 2). A copy of this can be obtained from the BSC Website at www.elexon.co.uk.

8 SUMMARY OF REPRESENTATIONS

[to be added]

ANNEX 1 – REPRESENTATIONS

The draft Modification Report was sent out for consultation on 22 November 2002 with responses due back on 2 December 2002. The table below gives a list of Respondents and the actual responses received are attached below.

No	Company	File Number	No. Parties Represented
1.			
2.			
3.			
4.			
5.			