

Second ASSESSMENT REPORT for Modification Proposal P219 ' Consistency between Forecast and Out-turn Demand '

Prepared by: P219 Modification Group

Date of Issue:	08 February 2008	Document Reference:	P219AR
Reason for Issue:	For Panel Decision	Version Number:	1.0

This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.¹

Proposed Modification P219 seeks to address ambiguity surrounding the forecast and out-turn data reported on the Balancing Mechanism Reporting System and to align the BSC definitions with the Grid Code. P219 aims to achieve this by providing two sets of data to the BMRS for both Demand forecast and Demand Out-turn. P219 will introduce into the BSC the definitions of Transmission System Demand and amend several existing definitions to align with the definitions of the Grid Code.

No Alternative Modification has been developed.

MODIFICATION GROUP'S RECOMMENDATIONS

The P219 Modification Group invites the Panel to:

- **AGREE a provisional recommendation that Proposed Modification P219 SHOULD NOT be made;**
- **AGREE a provisional Implementation Date for Proposed Modification P219 of 6 November 2008 if an Authority decision is received on or before 29 May 2008, OR 25 June 2009 if the Authority decision is received after 29 May 2008 but on or before 15 January 2009;**
- **AGREE the draft legal text for Proposed Modification P219;**
- **AGREE that Modification Proposal P219 be submitted to the Report Phase; and**
- **AGREE that the P219 Draft Modification Report be issued for consultation and submitted to the Panel for consideration at its meeting on 13 March 2008.**

¹ The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>.

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the Modification Group has been able to assess, the following parties/documents would be impacted by P219.

Please note that this table represents a summary of the full impact assessment results contained in Appendix 4.

Parties	Sections of the BSC	Code Subsidiary Documents
Distribution System Operators <input type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Interconnectors <input checked="" type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input checked="" type="checkbox"/>
Licence Exemptable Generators <input checked="" type="checkbox"/>	D <input type="checkbox"/>	Party Service Lines <input type="checkbox"/>
Non-Physical Traders <input checked="" type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input type="checkbox"/>
Suppliers <input checked="" type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
Transmission Company <input checked="" type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
Party Agents	H <input type="checkbox"/>	Core Industry Documents
Data Aggregators <input type="checkbox"/>	I <input type="checkbox"/>	Ancillary Services Agreement <input type="checkbox"/>
Data Collectors <input type="checkbox"/>	J <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
Meter Administrators <input type="checkbox"/>	K <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
Meter Operator Agents <input type="checkbox"/>	L <input type="checkbox"/>	Distribution Code <input type="checkbox"/>
ECVNA <input type="checkbox"/>	M <input type="checkbox"/>	Distribution Connection and Use of System Agreement <input type="checkbox"/>
MVRNA <input type="checkbox"/>	N <input type="checkbox"/>	Grid Code <input type="checkbox"/>
BSC Agents	O <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
SAA <input type="checkbox"/>	P <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
FAA <input type="checkbox"/>	Q <input checked="" type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
BMRA <input checked="" type="checkbox"/>	R <input type="checkbox"/>	BSCCo
ECVAA <input type="checkbox"/>	S <input type="checkbox"/>	Internal Working Procedures <input type="checkbox"/>
CDCA <input type="checkbox"/>	T <input type="checkbox"/>	BSC Panel/Panel Committees
TAA <input type="checkbox"/>	U <input type="checkbox"/>	Working Practices <input type="checkbox"/>
CRA <input type="checkbox"/>	V <input checked="" type="checkbox"/>	Other
SVAA <input type="checkbox"/>	W <input type="checkbox"/>	Market Index Data Provider <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	X <input checked="" type="checkbox"/>	Market Index Definition Statement <input type="checkbox"/>
BSC Auditor <input checked="" type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
Profile Administrator <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
Certification Agent <input type="checkbox"/>		
Other Agents		
Supplier Meter Registration Agent <input type="checkbox"/>		
Unmetered Supplies Operator <input type="checkbox"/>		
Data Transfer Service Provider <input type="checkbox"/>		

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1 EXECUTIVE SUMMARY

The key conclusions of the P219 Modification Group ('the Group') are outlined below.

The Group:

- **DISCUSSED** the areas raised by its Terms of Reference and **NOTED** the results of National Grid's background work through the Demand Side Working Group (DSWG) and its industry consultation prior to raising P219.
- **NOTED** the related Modification Proposal P220 'Provision of New Data Items for Improving Market Information' had also been raised by National Grid in the area of Balancing Mechanism Reporting;
- **CONSIDERED** a potential alternative solution whereby only National Demand Forecast and National Demand Out-turn would exist as well as a separate file which contains data from Interconnector flows, demand from station transformers and pumped storage, but **AGREED** not to develop this further;
- **NOTED** the implementation costs for the Proposed Modification were estimated to be in the region of £150,000 and the estimated cost of associated changes to National Grid systems to be £300,000;
- **ISSUED** two industry consultations on the merits of P219, including specific questions on:
 - a) The benefits and value of clear, consistent and easily accessible Demand data items (qualitative or quantitative); and
 - b) Any cost savings that may be brought about by the Proposed Modification;
- **AGREED** a **MAJORITY** view that the Proposed Modification **SHOULD NOT** be made – since, whilst a majority of members believed (to differing extents) that the Proposed Modification would better facilitate the achievement of Applicable BSC Objectives (b) and (c) when compared with the existing arrangements, a majority of members remained unconvinced that the potential benefits would outweigh the negative impact of the implementation costs on Objective (d). The Group **AGREED** by majority that the Proposed Modification **SHOULD NOT** be made;
- **AGREED** recommended Implementation Dates for P219 of the November 2008 release, with a fall-back of the June 2009 release;
- **NOTED** that whilst P219 and P220 were not contingent on each other, if simultaneous Authority decisions were made on both Modifications prior to the P219 and P220 cut off dates for implementation in the same release, this would achieve a saving of 20% of the combined central costs of the two Modifications and a £200,000 saving for the Transmission Company;
- **AGREED** that the draft legal text delivers the intended solution for the Proposed Modification;

Table 1 - Summary of P219 Potential benefits and disadvantages

Area of P219 discussion	Benefits	Disadvantages
Information transparency & accessibility of data <i>Applicable BSC Objective (c)</i>	Consistent, transparent and easily accessible information available to all market participants. Lack of transparent and consistent	Benefits not quantified – outweighed by implementation costs.

Area of P219 discussion	Benefits	Disadvantages
	<p>information creates additional costs to participants and the market as a whole.</p> <p>Particular benefit for those without resources to derive data through existing means.</p> <p>Improved 'level playing field'.</p>	
Barriers to entry <i>Applicable BSC Objective (c)</i>	<p>Reduced 'information asymmetry'.</p> <p>Improved 'level playing field'.</p> <p>Reduce reliance of small participants on third party services (e.g. energy consultancies).</p> <p>Should encourage new entrants to the electricity market.</p>	Not demonstrated that benefits outweigh costs.
Market behaviour <i>Applicable BSC Objective (b)</i>	<p>Improved forecasting and self-balancing which should improve the self balancing of the market.</p> <p>Should reduce market Imbalance cash flow.</p> <p>Will potentially achieve costs savings in excess of the implementation costs.</p>	<p>Benefits not quantified.</p> <p>Assumptions about changes in behaviour not proven.</p> <p>Cost savings based on assumptions.</p>
Cost-benefit <i>Applicable BSC Objective (d)</i>	<p>Reduce the number of queries to National Grid and ELEXON on the inconsistent data items.</p> <p>Data that is published in a consistent form and is the same as that of other industry codes improves efficiency of the trading arrangements.</p> <p>Difficult to quantify benefits, but will outweigh implementation costs.</p>	Benefits not quantified – outweighed by implementation costs.

A description of the P219 solution is provided in Section 2. Information regarding the Group's initial discussions of the areas set out in the P219 Terms of Reference is contained in Section 3 including details of the Group's recommended implementation approach and the perceived cost-benefits of P219.

The P219 initial Assessment Report was presented to the Panel in January 2008 and the Panel extended the Assessment Procedure consultation by a further month including a second consultation, so as to attain a better understanding and elicit further views on the benefits of P219.

A summary of the Group's views regarding the merits of the Proposed Modification post second consultation can be found in Section 3. A copy of the Group's full Terms of Reference can be found in Appendix 2, whilst a summary of the responses to the Assessment Procedure consultations and impact assessment can be found in Appendices 3, 4 and 5 respectively.

2 DESCRIPTION OF MODIFICATION

This section outlines the solution for the Proposed Modification, as developed by the Modification Group.

For a full description of the original Modification Proposal as submitted by National Grid ('the Proposer'), please refer to the P219 Initial Written Assessment (IWA) (Section 6.2 Reference 1).

2.1 Proposed Modification

P219 was raised on 26 October 2007 by National Grid. P219 seeks to enable submission to the Balancing Mechanism Reporting Agent (BMRA) and publication of additional data on the BMRS in order to improve consistency, clarity and detail of forecast and Out-turn Demand information, and allow fuller comparison of forecast and Out-turn Demand data than can be achieved at present. The Proposer believes that this should give participants enhanced information in relation to forecast and Out-turn demand, allowing more efficient operation of the market.

The Proposer has noted that under P219:

- An amended National Demand Forecast, a Transmission System Demand Forecast and Transmission System Demand Out-turn will exist for **all timescales**. National Grid explained that two streams of data would be published on the BMRS i.e. National Demand forecast and National Demand Out-turn as one stream, and Transmission System Demand forecast and Transmission System Demand Out-turn as a separate stream.
- National Demand Out-turn will remain unchanged.
- The BSC provisions will be aligned with the Grid Code.

Currently there are inconsistencies in forecast and out-turn data, for example the 1-2 day National Demand Forecast (DF). The DF at 09.00am **does not** include Interconnector flows or Demand from station transformers and pumped storage units. This Demand forecast is directly comparable to the published National Demand Out-turn (actual) Demand data, as both do not include Interconnector flows or Demand from station transformers and pumped storage units.

At a later time (11.00am) during the same day when additional data becomes available to the Transmission Company, revised versions of National Demand Forecasts contain data that **does include** Interconnector flows and Demand from pumped storage units and station transformers.

P219 aims to have two sets of Demand Forecast and Demand Out-turn data, where one set of forecast and out-turn data **includes** Interconnectors, Demand from station transformers and pumped storage, and the other set that **excludes** Interconnectors, Demand from station transformers and pumped storage.

P219 will introduce into the BSC the definitions of:

- Transmission System Demand;
- Transmission System Demand forecast; and
- Initial Transmission System Demand Out-turn.

While amending several definitions in the BSC:

- Indicated Imbalance;
- Indicated Margin; and
- National Demand

All these definitions will be aligned with the definitions of the Grid Code.

The Group supported the description of the Proposed Modification and did not suggest any changes to the Proposed Modification.

The Group duly considered if there was a potential Alternate Modification that would better facilitate the achievement of Applicable BSC objectives or resolve the defect, but did not identify one.

3 DETAILED GROUP DISCUSSIONS AND VIEWS OF RESPONDENTS FROM THE FIRST ASSESSMENT PROCEDURE CONSULTATION

This section outlines the conclusions of the Modification Group regarding the areas set out in the P219 Terms of Reference.

3.1 Amendments to BSC definitions and the display of data files sent by National Grid to the BMRS.

3.1.1 Modification Group discussion

The Group agreed the amendments to the BSC definitions and the proposal on how data would be displayed on the BMRS as detailed below.

National Grid explained that two streams of data would be published on the BMRS i.e. National Demand forecast and Initial National Demand Out-turn as one stream, and Transmission System Demand forecast and Initial Transmission System Demand Out-turn as a separate stream.

One member stated that the differences between these two streams of data would need to be clearly explained with each and every term being clearly defined in respect to their meaning and how the term was derived. The member went on to state that this was essential for new and small market participants.

The Group discussed the availability of real time data, purely for a market participant to check its target / market position (i.e. whether it is above or below the forecast threshold) thereby allowing a market participant to change its market position if required. National Grid stated that the Out-turn data provided should address this concern, and if need be, that real time data is available on the National Grid website.

ELEXON presented an example of how the Proposed Modification would look which contained the different Demand data together and Out-turn data together and agreed the detail of the required BMRS changes which are outlined in the P219 Requirement Specification (Section 6.2 Reference 4).

The Group explored the possibility of updating historic data (Pre P219 data), so that there was consistency with respect to the different Demand and Out-turn data that are proposed under P219 but concluded that this may prove to be difficult. For further details of these changes, please refer to the P219 requirement specification (Section 6.2).

The Group sought clarification from National Grid on how National Grid calculated Surpluses, to which National Grid confirmed that Surpluses were based on Transmission System Demand data.

3.1.2 Views of Respondents to the first Assessment Procedure Consultation

As part of the Assessment Procedure Consultation participants were asked whether they believed that the Proposed Modification P219 better facilitated the Applicable BSC objectives, and the unanimous response stated that the increase in transparency and consistency would be beneficial to all participants.

There were no comments regarding the display of data on the BMRS.

3.2 BMRS Costs

3.2.1 Modification Group's Initial Discussions

The Group considered the conclusions of the topic of Issue 17 (where potential changes to the BMRS were previously discussed) and National Grid mentioned that the high costs were one of the reasons that none of the changes were progressed.

National Grid considered that costs will have lowered, in part due to the work carried out with ELEXON and the BSC Agent (on improving the BMRS) through the use of new technology. The Group noted that costs would be sought through the Impact Assessment.

3.2.2 Views of Respondents to the first Assessment Procedure Consultation

The consultation responses contained no specific comments in this area.

3.2.3 Modification Group's Conclusions

One Group member highlighted that the Impact Assessment cost estimates provided by the current BSC Agent for June 2009 did not provide the complete costs. The cost estimates for June 2009 are less certain than November 2008 because the current contract for operation and development of the BMRS ends in March 2009, and procurement of the new service providers (through ELEXON's Project Isis) is currently ongoing.

The Group consequently agreed that a November 2008 implementation is preferable based on the desire to have the benefits of P219 as soon as possible.

3.3 Future of the High Grade website

At the previous Panel meeting, the Panel were informed that CP1217 'Removal of the High Grade BMRA website' may have an impact on the P219 implementation costs. However it has now come to light that the ISG have rejected CP1217 on the basis that:

- discontinuing the separate High Grade website would leave Parties with no mechanism for accessing the BMRS website during an outage of the Low Grade website; and
- the implementation costs for bringing about this change outweighed any cost benefits /savings brought about by the removal of the High Grade BMRA website.

3.4 BMRS historical data, Demand forecast breakdown and Electricity Summary page.

3.4.1 Modification Group's Discussions

The Group noted the concerns highlighted in the National Grid Market Information consultation (Section 6.2) which preceded the raising of P219, where concerns were raised on the difficulty in accessing large quantities of historic data from the BMRS. ELEXON explained that the current BMRS functionality for retrieving historic data (including historic Demand Out-turn data) is designed to allow fairly small quantities of data (e.g. data for a single Settlement Day) to be retrieved in tabular, graphic and CSV (comma separated value) formats. ELEXON is currently considering how best to take forward the question of access to larger quantities of historic data. The Group agreed that this issue (which is a general one extending beyond the P219 data items) should be considered outside the scope of the Modification Proposal.

The Group discussed the contents of the current Demand Forecasts (on the Electricity Summary page) and suggested that in some instances it was possible to deduce the level of pumped storage from the

difference between the two Demand forecasts. This raised the prospect of whether there would be confidentiality issues around the total level of pumped storage. The view of the group was that this was not an issue, especially since BETTA (British Electricity Trading & Transmission Arrangement) had brought new pumped storage into the market.

National Grid added that P219 would change the Electricity Summary page (which includes facilities for comparing Demand Forecast with Initial Demand Out-turn data) such that the latest Transmission System Demand Forecast will be used instead of the 08.45 National Demand Forecast that is used currently.

3.4.2 Views of Respondents to the first Assessment Procedure Consultation

Respondents unanimously indicated that in their opinion there were no confidentiality issues regarding the two sets of data (two forecasts and two Out-turns). Some respondents also stated that any confidentiality issues that arise from the publication of data are outweighed by the need for greater transparency in data.

3.5 Implementation Approach and Costs

3.5.1 Modification Group's Discussions

The Group proposed a combination of implementation options based on the assumptions of the Transmission Company's lead time of 4 months and a BSC Agent lead time of 4.5 months:

- 6 November 2008 if a decision is reached on 29 May 2008 **or** 25 June 2009 if a decision is reached after 29 May 2008 but before 15 January 2009.
- A combined cost benefit (cost saving) will be achieved if a decision is reached before or by 3 April 2008, for both P219 and P220, with an implementation date of 6 November 2008 or by 23 October 2008 for an implementation date of 25 June 2009.

3.5.2 Results of Proposed Modification Impact Assessment

The table below indicates the estimated Implementation costs for P219 project in either a November 2008 or June 2009 release. Please note that:

- Currently BSC Agent services are the subject of a procurement exercise through ELEXON's Project Isis and that suggested release dates may interact with the new BMRA system and the chosen Service Provider.
- ELEXON has estimated an additional cost for a new Service Provider (**£30,000 for November 2008 and £60,000 for a June 2009 Implementation date**) to test and deploy the ported software. It should be noted that this cost is an estimate with a wide tolerance and a more accurate estimate will not be available until the chosen Service Provider is appointed.
- For a November 2008 implementation date, there are costs for development and deployment on the **existing Tru-64 system** and an **additional cost to port** the changes to the **new HP-UX and Oracle 10g system**. This is demonstrated in section 3.5.2.a (below).
- For June 2009 the changes brought about by P219 would be directly implemented into the **new HP-UX and Oracle 10g system** with no porting required and thus the overall cost estimate would be slightly lower.

PROPOSED MODIFICATION IMPLEMENTATION COSTS²

		November 2008	June 2009	Tolerance
Service Provider³ Cost	Development, testing & deployment	£ 130,800	£ 140,600	+/-30%
	Porting	£ 21,000	N/A	+/-30%
	Total Service Provider Cost	£ 151,800	£ 140,600	+/-30%
Implementation Cost	External Audit	£ Nil	£ Nil	N/A
	Design Clarifications	£ Nil	£ Nil	N/A
	Additional Resource Costs	£ Nil	£ Nil	N/A
	Additional Testing and Audit Support Costs	£ Nil	£ Nil	N/A
Total Demand Led Implementation Cost		£ 151,800	£ 140,600	N/A

ELEXON Implementation Resource Cost		184 Man days £40,480	184 man days £40,480	+/- 40%
Total Implementation Cost		£ 180,780	£ 176,180	+/- 35%

² An explanation of the cost terms used in this section can be found on the BSC Website at the following link:
http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

³ BSC Agent and non-BSC Agent Service Provider and software costs.

Please note that the complete costs for June 2009 are not known as the contract with the current Service Provider (BSC Agent) ends and they are dependent on the agent that is procured.

a) BSC Agent Impact

The BMRA would be required to amend and test its systems in order to publish the data made available under P219. The changes would include a Summary page (scheduled for Q1 2008), additional data items on each existing graph with the option to toggle ON or OFF different data sets and the creation of new TIBCO messages.

The costs and lead time provided by the BSC Agent is best summarised in the following table. Currently four options exist whereby:

- Implemented in November 2008 on the current Live Tru-64 system and later ported to the HP-UX/10g system.
- Implemented in June 2009 on the new HP-UX/10g system.

b) BSC Party and Party Agent Impact

Respondents (two out of three) noted that there would be some impact on their systems but they did not expect the costs to be excessive and would require at least three months notice to implement the required changes. Further information and a list of Impacts can be found in Appendix 5 of this assessment report.

c) Transmission Company Impact

The Transmission Company has suggested that there is no direct impact on the ability of the Transmission Company to carry out its obligations efficiently under the Transmission Licence. The Transmission Company suggested that system and documentation changes are needed and that there is a £100,000 initiation cost, part of which has already been met by undertaking feasibility assessment work for improvements to information provision. The total estimated cost quoted by the Transmission Company is £300,000 with an implementation timescale (P219 only) of 3 to 4 months.

The Transmission Company noted in its analysis a cost saving of £200,000 from the total summated costs for P219 and P220, if both P219 and P220 were to be implemented together with an estimated implementation timescale of 6 months.

A detailed impact assessment for the Transmission Company can be found in Appendix 5.

d) BSCCo Impact

BSCCo would require approximately 6 months to Implement P219.

BSCCo would be required to:

- Make changes to the impacted CSDs, carry out testing on the amended software;
- Update Local Working Instructions to reflect the new processes; and
- Provide assurance to the implementation project.

In total this would require 184 man days of effort for either a November 2008 or June 2009 release. However the costs for a November 2008 release would amount to £480,780 and £476,180 for a June 2009 release. For a detailed list of impacts please see Appendix 5.

3.5.3 Views of Respondents to the first Assessment Procedure Consultation

All the respondents agreed to the Implementation approach that was outlined in the P219 consultation document. However one respondent indicated a preference for Implementation before the next **Triad** season as opposed to during a triad season as changes would be required to the respondent's monitoring systems.

The term Triad is used as a short hand way to describe the three Settlement periods of highest Transmission System demand within a financial year, namely the Half Hour Settlement Period of system peak Demand and the two Half Hour Settlement Periods of the next highest Demand, which are separated from each other by at least 10 Clear days between November and February of the Financial year exclusive.

Demand at the three triad periods is used as the basis for Transmission Network Use of System (TNUoS) charging for Half Hourly Suppliers i.e. the amount a Supplier pays the Transmission Company for using the Transmission System depends on the Suppliers contribution to the peak loads.

This creates an incentive for Suppliers (and big customers where Suppliers pass on the incentive) to reduce their energy at the peak. Suppliers and customers try to forecast when the next triads will be and avoid using energy at those times.

A detailed explanation of Triads and TNUoS can be found at:

http://www.nationalgrid.com/NR/rdonlyres/33828A47-C4A4-490B-AF7C-25E6E8D7C1DC/17924/UoSCMI3R1FINAL_BSUSandCAP142_2.pdf

3.5.4 Modification Group's Conclusions

The Group discussed the potential implementation options as described in Section 3.5 but acknowledged the uncertainties in relation to costs for a June 2009 release and preferred a November 2008 implementation.

The Group examined the lead times for the Transmission Company as 4 months, BSCCo as 6 months and that of the BSC Agent as 4.5 months and proposed a combination of implementation options that are described in Section 3.5.1 (above)

The Group accepted that there would be cost benefits if a decision from the Authority for both P219 and P220 was received in April 2008 for a combined November 2008 release.

With respect to triad seasons a Modification Group member stated that in his opinion there was no impact of P219 on the triad forecasting.

In summary, the Modification Group agreed to the Proposed Modification P219 and therefore recommended the following implementation approach for P219:

- An Implementation Date for the Proposed Modification of 6 November 2008 if an Authority decision is received on or before 29 May, or 25 June 2009 if the Authority decision is received after 29 May but on or before 15 January 2009;
- If a **cost saving** for both P219 and P220 is sought, the Authority would be required to make a decision on or before 3 April 2008 for a combined P219 and P220 implementation in November 2008 **or** 23 October 2008 for a combined implementation in June 2009.

3.6 Legal Text

The Modification Group walked through the Legal text and agreed that it delivers the solution which was proposed by P219 and unanimously supported the Legal text.

One member highlighted an error in the current text of the BSC, where the term 'INDGEM' should be amended to say 'INDGEN' (Indicated Generation). This error has now been corrected in the P219 Legal text.

A copy of the draft legal text can be found in Appendix 1.

3.7 Assessment of Modification Against Applicable BSC Objectives based on the first Assessment Procedure Consultation

This section outlines the views of consultation respondents and the Modification Group regarding the merits of P219 against the Applicable BSC Objectives. It should be noted that these views were given in advance of knowing the implementation costs.

3.8 Proposed Modification

3.8.1 Modification Group's Initial Discussions

The initial **UNANIMOUS** view of the Modification Group was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objectives (c) and (d), but remained neutral with respect to Objective (b) when compared to the current Code baseline, for the following reasons:

Applicable BSC Objective (b)

The Group initially found it difficult to quantify any benefits with respect to the achievement of Applicable BSC Objective (b) and agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objective (b).

National Grid stated that accurate data would assist the smaller and new market participants to better balance their position in the market which in turn would enable the market better balance itself and consequently allowing National Grid to better fulfil its residual balancing role. This was reflected by some of the Modification Group members.

There was debate surrounding the data streams, where the Group felt that, although P219 may improve the transparency of data, it could mean that some market participants may not necessarily understand the differences, thereby creating confusion and increasing the number of queries to National Grid.

Applicable BSC Objective (c)

The Group unanimously agreed that BSC Objective (c) would be better facilitated by the Proposed Modification as the availability of improved and transparent information to all participants (notably the newer and smaller participants) should promote effective competition in the generation and supply of electricity.

Applicable BSC Objective (d)

The Group unanimously agreed (subject to the impact assessment costs) that the Proposed Modification better facilitates BSC Objective (d). The Group believed that the Proposed Modification would lessen the number of queries to ELEXON with respect to the defect that P219 seeks to address.

3.8.2 Views of Respondents to the first Assessment Procedure Consultation

The majority view of respondents to the Assessment Procedure consultation was that the Proposed Modification would better facilitate the achievement of **Applicable BSC Objectives (c) and (d) but remained mixed with respect to Applicable BSC Objective (b)**.

The following arguments were expressed by respondents in support of this view:

- **Applicable BSC Objective (b):** Two respondents noted that the results of the Impact assessment would establish the likely costs associated with the implementation of P219 and therefore determine whether or not the Proposed Modification would better facilitate this Applicable BSC Objective i.e. providing implementation costs were reasonable. Another respondent believed that the provision of more consistent and transparent information should improve self balancing by the market participants, which in turn would improve the efficient, economic and co-ordinated operation of the GB Transmission system.
- **Applicable BSC Objective (c):** Respondents agreed that the Proposed Modification would fulfil Applicable BSC Objective (c) by increasing information transparency and availability for all participants, which consequently would enable smaller market participants to compete with bigger participants thereby promoting effective competition.
- **Applicable BSC Objective (d):** The majority of respondents agreed that the definitions of demand terms would remove the ambiguity that currently exists between Demand forecast and Demand Out-turn, which as a consequence will better meet BSC Objective (d).

3.8.3 Modification Group's initial Assessment

The majority view of the Modification Group was that the Proposed Modification would better facilitate the achievement of **Applicable BSC Objectives (b), (c) and (d)** when compared to the current Code baseline for the following reasons:

Applicable BSC Objective (b)

The majority of the Group believed that the Proposed Modification P219 better facilitated Objective (b) for the following reasons:

- The provision of consistent and transparent information should improve self-balancing by the market participants and therefore help improve the efficient, economic and co-ordinated operation of the GB Transmission System. P219 would also lessen the number of queries to the Transmission Company regarding the current inconsistencies in Demand data; and
- Any benefits gained from consistent and clear information outweigh the implementation costs.

The remaining Group member who did not feel that P219 better facilitated this BSC Objective stated that P219 had no impact on this BSC Objective and therefore remained neutral.

Applicable BSC Objective (c)

The majority of the Group believed P219 better facilitated Applicable Objective (c) by removing the current ambiguity in Demand data and increasing the availability of improved market information to all participants. As a consequence, the Group felt that this would enable smaller market participants to compete against more established participants thereby promoting effective competition.

The remaining Group member held that there was a marginal gain from this consistent and transparent market information and therefore was neutral on BSC Objective (c).

Applicable BSC Objective (d)

The majority of the Group felt that P219 would better facilitate BSC Objective (d) as in their judgment P219 would lessen the number of queries to ELEXON with respect to the defect that P219 seeks to address.

The opposing Group member held that there was little evidence that P219 benefits smaller market participants. The member mentioned the lack of dialogue from smaller market participants (regarding P219) and the high impact assessment costs could not be justified. Thus the Group member held that P219 would not better facilitate BSC Objective (d).

3.9 Recommendation to the Panel from the first Assessment Consultation

On the basis of the above assessment, the Modification Group therefore agreed a **UNANIMOUS** recommendation to the Panel that the Proposed Modification **SHOULD** be made.

3.10 Summary of initial P219 Assessment Procedure Consultation

As part of the initial Assessment Procedure Consultation (issued on 27 November 2007) participants were asked whether they believed that the Proposed Modification P219 better facilitated the Applicable BSC Objectives (b), (c) and (d). At the time the initial consultation was issued, a detailed impact assessment outlining the implementation costs of the Proposed were not available for BSC Parties. The unanimous view from consultation respondents was that the increase in transparency and consistency would be beneficial to all participants but did not quantify this benefit in sufficient detail for the Panel to make a considered recommendation.

There were no comments regarding the display of data on the BMRS. The Consultation and Impact Assessment for P219 were issued in parallel to allow P219 to meet its original two month Assessment Procedure timetable.

The 7 responses (representing 39 BSC Parties and 1 non party) to the initial Consultation indicated that there were no possible alternate solutions for P219 which mirrored the view of the P219 Modification Group, that P219 was well defined.

When asked how respondents would use the P219 data items, respondents stated that data would be used:

- as a comparable data set to offset errors in own demand data, thereby reducing imbalance costs;
- to review quality of forecast data;
- to assist operational business decisions; and
- to assist trading, balancing and demand triad forecasting activities.

Respondents felt that P219 would be a benefit to smaller and new market participants. Respondents to this first consultation also felt that the provision of transparent and readily available information should increase competition in the market.

None of the respondents to the initial consultation felt that implementation of P219 brought about any confidentiality issues.

The other comments made by respondents were:

- That the value of such information to the market is difficult to evaluate until such information is made available and is understood by the relevant market participants;
- A Demand reporting system more harmonised with gas Demand would be beneficial;
- The main beneficiaries could be small Half Hourly customers on day-ahead contracts; and
- Implementation before the **next** triad season as opposed to **during** a triad season would be preferable in order to avoid changes to the respondent's monitoring systems.

Based on the discussions and views of respondents from the first assessment procedure consultation, the initial **UNANIMOUS** view of the Modification Group was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objectives (c) and (d), but remained neutral with respect to Objective (b) when compared to the current Code baseline. For further details (Discussions, impact assessment and views of respondents) on the first assessment procedure consultation please refer to Appendix 6 of this Modification report.

4 DETAILED GROUP DISCUSSIONS AND VIEWS OF RESPONDENTS FROM THE SECOND ASSESSMENT PROCEDURE CONSULTATION

4.1 Introduction

The original P219 Assessment Report was presented to the January 2008 Panel. Having considered the Report the Panel concluded that P219 should be sent back for a further month of assessment. The Panel felt that there was insufficient information on of the perceived benefits of P219 either tangible or intangible, and requested that a further consultation be issued to elicit further views on the benefits of P219.

A second Assessment Consultation was therefore issued where respondents were urged to describe any benefits that P219 may bring. To assist this, the consultation document described a number of scenarios that might give rise to benefits.

It should be noted that respondents also had the opportunity to comment on the costs for implementing P219 (costs were not available during the original P219 Assessment Procedure Consultation). The BSC implementation costs for P219 are approximately £180,000 (please refer to Section 3 for a detailed breakdown) and the stand alone implementation costs for National Grid are £300,000. Thus the total implementation cost for P219 is £480,000. The BSC costs are recovered from BSC Parties whereas National Grid costs are recovered through National Grid cost recovery mechanisms.

4.2 P219 second Assessment Procedure Consultation

The Modification Group developed theoretical models indicating how benefits may be realised under P219, in anticipation that respondents would provide rationale for why they were 'for' or 'against' the models and provide any cost benefit analysis where appropriate. The benefits outlined in the consultation document could be applicable to the industry as a whole or to individual (small or new market participant) Parties. Three models were created by the Group and are documented below:

1. MODEL 1 - Reduction in total market Imbalance:

If you believe that a percentage of the total market Imbalance cash flow could be attributed to inconsistency in the current forecast data available (i.e. through inability of Parties to better balance their Settlement positions), then the publication of consistent data should improve the overall level of Imbalance. The total Market Imbalance cash flow for the year 2007 (01/01/2007 to 31/12/2007) was approximately £158 million. This suggests that a very small percentage saving in the total Imbalance Charges would outweigh the implementation costs of P219 and therefore the Group welcomed industry views on the likely impact of P219 (if any) on the level of imbalance.

If it is assumed that the total market Imbalance cost remains constant at the 2007 level of £158 million, the Net Present Value of the Imbalance Charges over a five year period (assuming a discount rate of 5%) would be £684 million.

Total imbalance cost in first year (£m):	158
Discount rate:	5%
Net present value of imbalance costs (£m):	684.06 ⁴

The cost of implementing P219 is approximately £ 480,000 which is 0.07% of the total market Imbalance cash flow for five years. Thus in order to achieve a net positive benefit in implementing P219, the market Imbalance cash flow must reduce by 0.07%.

	P219	i.e.	$\frac{480,000}{684,060,000}$	= 0.0007
Implementation Cost (£k)	480			
%age:	0.07%			= 0.07%

Question 5 in the P219 Consultation questionnaire was targeted towards respondents to obtain their view whether or not P219 would have any impact in reducing Imbalance costs due to erroneous forecasting, and as a consequence the total market Imbalance.

2. MODEL 2 - Reduction in third party costs (e.g. Energy Consultancies)

Market participants may not have access to clear and consistent information, including Demand Forecast and Out-turn Demand information. As a consequence such participants may use the services provided by energy consultancies in order to Forecast their market Settlement positions. Additionally the value of information could be confirmed by the presence of commercial publications as they reduce search costs and pool resources to understand the market.

Thus it could be said that:

- Energy buyers are prepared to pay for information on and about the market;
- A subscription to a Heren market report costs approximately £1,900 per year, per user based on 2005 prices;
- A subscription from Enappsys which would allow a user to browse basic market information costs approximately £3,000 per year, per user;
- A subscription to other commercial market reports is at least £1,500 per year and above e.g. subscription from Platts or Mc Closky's etc; and

⁴ NPV = $\sum(\text{Total imbalance cost})/(1+\text{discount rate})$

- The cost of a trading mistake due to lack of knowledge about the market could prove disastrous.

Questions 6 and 7 of the consultation questionnaire questioned whether:

- The data items proposed under P219 could have any impact on third party costs; and
- The value of the information proposed under P219.

3. MODEL 3 - Value of transparent and consistent information

In addition to the arguments made in the initial P219 Assessment Procedure consultation (listed in section 2 of this document), it could be argued that:

- New market entrants need to understand the market for example, the inconsistency of the data items that are reported on the BMRS;
- The provision of clear transparent information enables the participants to make better informed decisions and as a consequence improve market efficiency and competition;
- Maintenance of infrastructure to obtain information for forecasting market Settlement positions is eased; and
- This may have cost implications in enabling IT systems to be compatible with the data items proposed under P219.

Question 8 of the Consultation questionnaire targeted respondents views on whether there may be any benefit of the transparent and consistent information proposed under P219.

4.3 Respondents views from the second P219 Assessment Procedure Consultation

The second Assessment Procedure Consultation was issued on 24 January 2008 and respondents were asked whether they believed that P219 better facilitated the Applicable BSC Objectives in light of the known implementation costs. Respondents were also asked their views on the perceived benefits and models that were described as above (section 5.3).

8 responses including one partially confidential response were received and have been summarised below:

a. Defect in data items reported on the BMRS

The majority view (seven out of eight) of the respondents was that the defect described in the Proposed Modification should be addressed. Respondents felt that it was in the interest of the market to enhance the frequency and consistency of the current Demand data that is published on the BMRS and that there should be no delay in addressing this defect. Another respondent mentioned that two separate streams of data would at least alleviate any confusion regarding the manner in which data is published on the BMRS. Another respondent felt that the Proposed implementation costs could not be justified.

One respondent commented that currently in the BSC there appears to be pressure to assess Modification Proposals principally in terms of quantified cost benefit arguments for individual parties and that such analysis should be useful; but for P219, it has lead to forming contrived arguments when the matter is simply in the respondents view, a reasonable IT cost for the industry to pay for an universal tool to be fixed.

The opposing respondent did not believe that addressing the defect would have a significant impact on the market.

b. Facilitation of Applicable BSC Objectives

The majority of the respondents (seven out of eight) felt that P219 better facilitated the achievement of the Applicable BSC Objectives. One respondent suggested that the introduction of consistency between forecast and Out-turn Demand should reduce the time taken by National Grid and ELEXON to formulate responses to industry queries relating to inconsistent data. Respondents generally agreed that unambiguous information would improve self-balancing by market participants, market competition and improve the facilitation of Applicable BSC Objective (b) and it was likely that the benefits would be intangible.

One respondent felt that improvements to definitions of Demand terms should reduce the number of queries to ELEXON (BSC Objective (d)) while another respondent felt that data that is published in a consistent form and is identical to that of other industry codes improves efficiency of the trading arrangements (BSC Objective (d)).

Two respondents (one of whom felt that P219 better facilitated Applicable BSC Objectives (b) and (c)) stated that on balance the high cost of implementing P219 outweighed any benefits.

c. Implementation Approach

The Group noted that there has been £100,000 incurred by the Transmission Company for both P219 and P220. The Transmission Company explained that these project initiation costs were incurred in order to ensure the timely implementation of P219 (and P220), should P219 (and/or P220) be approved and suggested that this could be considered as a 'sunk cost'.

It was therefore queried whether it was appropriate to show this as part of the P219 implementation costs since this might imply that money could be saved if the proposals were rejected. The Group noted that the decision whether to include this figure within the implementation costs was also relevant to its cost-benefit analysis of P219, since it would effectively require an extra £100,000 benefit to the industry to be identified.

However, a member stated that whilst this £100,000 was likely to be recovered from the industry if both P219 and P220 to be approved, it was not certain that Ofgem would agree to allow these costs through the Price Control if one or more of the modifications were rejected. This member believed that, should P219 and/or P220 be rejected, it would be questionable whether these costs had been 'reasonably and prudently' incurred by the Transmission Company and should be recouped from participants. The member therefore did not believe that it was appropriate to show this as a 'sunk' cost to the industry. The other Group members concurred with this view. The Group therefore agreed that the £100,000 'feasibility and assessment' costs should continue to be separately shown as part of both the P219 and P220 implementation costs.

National Grid highlighted its view that it's costs to develop, change and deploy the P219 change into its core balancing mechanism operational systems which are critical to security of electricity supply at £300k (if all initiation costs are absorbed). The Proposer believed that their implementation costs compared favourably with those of the central costs for P219.

The table below shows the differences in Transmission Company costs with and without the inclusion of the incurred costs.

National Grid delivery costs	Delivery approaches			
	Stand-alone costs including 'incurred costs'	Stand-alone costs excluding 'incurred costs'	Combined P219/P220 costs including 'incurred costs'	Combined P219/P220 costs excluding 'incurred costs'
P219	£300,000	£200,000	£600,000	£500,000
P220	£600,000	£500,000		

The majority of the responses (six out of eight) favoured the implementation approach that was described in the consultation document and felt that it was critical to implement P219 as soon as possible to keep costs down and to realise the benefits sooner.

It was also stated that if P220 is approved, it should be implemented together with P219 to minimise costs and maximise benefits, and that there would be a 20% reduction in combined costs for implementing both Modifications.

Some respondents, while happy with the implementation approach were concerned about the implementation costs proposed by National Grid.

However, one respondent acknowledged the Transmission Company's explanation that its IT systems were built for robustness rather than flexibility. This explanation was also provided in the Transmission Company analysis which stated that "[its] BM [Balancing Mechanism] is the cornerstone of National Grid's involvement in the Balancing Mechanism market. Changes are not made lightly to the system and a significant degree of analysis, design, careful implementation and regression testing will be necessary. Similarly several other systems we use in managing the transmission system (NED [National Grid Economic Datawarehouse], CM [Commercial Monitor] and Trading Support) will require a program of managed change".

d. Use of current data on the BMRS

The majority of the respondents (four out of seven) did use the forecast and Out-turn Demand data item on the BMRS for the following reasons:

- Current BMRS Demand data feeds into business models and provides an early feedback loop for Demand data and forecasting accuracy;
- It assists with Demand management (balancing of production and consumption accounts and including triad warnings) and forecasting;
- It helps form expectations of market behaviour;
- It is used as a reference/benchmark tool for forecasting and directly influences operational decisions made within the wholesale business; and
- Large consumers may be bulk purchasers of electricity for their commercial operations would find this data useful in making commercial decisions on purchases.

There were no comments from those respondents that did not use the Demand data items on the BMRS.

e. Cost savings (MODEL – 1)

A majority (six out of eight) of the respondents felt P219 would achieve cost savings in excess of 0.07% as outlined in **MODEL 1** (section 5.1.3) due to the improved Demand data availability. One respondent stated that over a five-year period there would be an average annual saving of £110k (discounted at 5%), which will more than offset the implementation costs of £480k. The respondent (who was the Proposer) said that these savings formed a small proportion of the 0.07% of the annual Imbalance costs of £158 million. The respondent also carried out further analysis of the industry's Imbalance exposure (via a price premium paid on Imbalance volumes) and showed how a small reduction in the price premium would be sufficient to justify the implementation costs of P219. This calculation is shown below:

In an attempt to quantify the potential benefits of P219, the Proposer has carried out a simplified assessment⁵ of the price premium paid by the industry on imbalance volumes which could benefit from improved information consistency and self-balancing under P219.

Using the absolute NIV values and appropriate price differentials between relevant System Prices and market-based prices for the period 01/01/07-31/12/07, the Proposer observes that the average imbalance price premium paid by the industry ($\sum abs(NIV) = 5,031 \text{ GWh}$ and imbalance costs = £93m) equates to around £19/MWh.

The Proposer considers that even a small reduction in this premium as a result of improved information consistency and self-balancing under P219 could be sufficient to justify implementation costs of P219. For P219 to produce a net positive benefit in one year a saving of £480k (equivalent to p219 implementation costs) equates to a reduction in price premium of around 10p/MWh; if the savings are spread over a five year period, the equivalent figure is around 2p/MWh. Notwithstanding the approximate nature of this analysis, the Proposer concludes that an imbalance cost saving of 10p/MWh (or 2p/MWh per annum over a 5 year period), compared with an average imbalance price premium of £19/MWh is not unreasonable.

The Proposer revealed another way of analysing the imbalance costs, by considering the percentage improvement in NIV as a result of better self-balancing by the market because of availability of better demand-related information. Using data for the period 01/01/07-31/12/07 and assuming that NIV improves by 1% in each Settlement Period (i.e. assuming that NIV is 1% less long or 1% less short), the industry imbalance exposure of £93m could improve by £931k, which would be more than sufficient to offset implementation costs of P219 (£480k) over a one year period.

One Group member expressed disappointment that, whilst it was difficult to quantify the benefits, no other attempts were made to analyse the benefits or savings from implementation of P219.

One respondent remained neutral, as in their opinion P219 would not have any material impact on the Imbalance volumes.

⁵ Assumptions

- a) The industry imbalance costs can be determined using Net Imbalance Volume (NIV) rather than imbalance volumes of individual BSC Parties; this conservative assumption is unlikely to overestimate industry's imbalance costs because of the 'netting off' effect and hence the potential benefits resulting from any reduction in imbalance costs are unlikely to be over estimated.
- b) The imbalance costs can be determined using the difference between the relevant System Price (at which the imbalance volume is cashed out) and a 'market price' (at which the imbalance volume could have been traded out). This is a more realistic assumption than applying the relevant System Price or a 'market price' to the imbalance volume.
- c) No other cash flows (e.g. Residual Cash flow Allocations) are considered in the analysis.

The opposing respondent stated that P219 may or may not provide any benefits to his company and disagreed with the rationale provided in the consultation document.

f. Subscriptions to third Party companies (MODEL – 2)

A majority (five out of eight) of the respondents stated that they subscribe to third parties for the provision of clear and transparent information to base their forecasts on and made the following comments:

- We receive information on the state of the market from a variety of sources;
- We buy information that is tailored to the business. If an individual company decides to invest heavily in third party services, it should be expected that it will gain a benefit;
- There are a variety of third party data sources which could be inconsistent and leave gaps in knowledge, which adds time and cost on market participants. This is a clear barrier for small and new market participants who may only need to access small amounts of key data rather than time consuming 'hoops' to obtain the same information.

There were no comments from the respondents that stated they did not subscribe to third parties for market information.

g. Reduction in third party costs

A majority of the respondents (seven out of eight) felt that implementation of P219 would not reduce any third party costs. Respondents felt that P219 would not reduce dependency on third party information as no specialist information is provided under P219 but suggested that it may benefit third Parties so that other information could be reported. Another respondent added that if a third party used National Grid's Demand forecast data, the improved forecasts would allow the third party to better mitigate risks against forecasting errors.

The single respondent who felt that P219 would reduce third party costs felt that the availability of accessible Demand forecast and Out-turn data should reduce the reliance by small participants on third Parties which may be quite costly.

h. Value of information proposed under P219

When asked the value that respondents would place on the Demand information proposed under P219 and whether the benefits outweigh the implementation costs, a majority of the respondents remained neutral (five out of seven).

One of the respondents indicated that their company would not significantly benefit but did strongly support the facilitation of a competitive market and the removal of information barriers which would exist by not implementing P219. The respondent further revealed that the industry would benefit from the change (brought about by P219) and there could be enough general benefits from the additional and clearer information which could deliver the small improvement in market efficiency required to justify the expenditure.

One respondent felt that the benefits and savings of P219 outweigh the implementation costs whereas in contrast another respondent felt that the large share of implementation costs that their company had to pay and in their view any benefits for a slight improvement in the BMRS would have been outweighed.

i. Cost savings to business

When asked whether there would be any cost savings to the respondents business if P219 were to be implemented the views received were mixed.

Three (out of eight) respondents were neutral and made no comment regarding their position in relation to potential cost savings to their business.

Another three respondents (out of eight) felt that there would be no cost savings if P219 were to be implemented. They suggested that it was difficult to quantify any specific benefit from the implementation of P219. They also believed that the publication of consistent and robust Demand information should ensure efficient market outcomes.

Two respondents felt there would be a cost saving to their respective businesses and felt that these cost savings would outweigh implementation costs and the improved forecasts would reduce queries to National Grid.

j. Benefits of publishing revised Demand data

There was no clear majority view from the respondents, but those respondents (three out of seven) who felt that benefits of publishing the revised forecast Out-turn and Demand data on the BMRS existed made the following arguments:

- For Parties, the improved and timely provision of data will reduce the reliance on day-ahead forecasts;
- For Parties and the industry, the improved Demand forecasting will reduce Imbalance position; and
- There are potential timesaving benefits to both National Grid and ELEXON, as the enhanced clarity in the provision of Demand data will reduce the administration and resource burden on these Parties as a result of queries on the current inconsistent Demand data.

There were no comments from respondents that remained neutral (2 responses) or those that felt there were no other benefits (2 responses).

k. Further comments

When given the opportunity for further comment, the majority (four out of eight) of the respondents suggested that the decision in favour of P219 is finely balanced as there are significant implementation costs and no clearly defined quantifiable cost benefits. Similarly the other respondents added that it was preferable to implement P219 with P220. One respondent suggested that Working Groups should be set up to discuss Modifications where the System Operator has a cost implication. However another respondent acknowledged National Grid's explanation that its systems are designed for robustness rather than flexibility.

One of the respondents highlighted that:

- The industry should not take a backward step by reducing the data available;
- Improved, transparent, accurate and timely information will help and support further increases in competition within the market;
- The costs for P219 appear to be excessive for a change of this magnitude but relatively small when compared with costs the industry has borne for other changes; and
- Comparisons between the Electricity and Gas markets and the impact of the implementation of the Modification UNC006 and this Modification in particular were not entirely valid due to the differences between the markets and the availability of information at the time of implementation.

In conclusion the respondents in the second P219 Assessment Procedure Consultation were generally supportive of the Proposed Modification P219 in the knowledge of the total P219 implementation costs. While some respondents acknowledged the difficulty in describing any benefits from the implementation of P219, the majority felt that benefits gained from clear, consistent and easily accessible information outweighed the implementation costs.

4.4 Modification Group discussions based on the second Assessment Consultation responses

The Modification Group considered in detail all responses that were received by respondents to the second consultation and noted the overwhelming support (majority of respondents) for the Proposed Modification P219, but that despite explicitly requesting it, no detailed cost benefit analysis was provided from most respondents.

With respect to a respondent stating that the Demand data on the BMRS is used for triad warnings, one Group member suggested that in his view, the current Demand data item or the proposed P219 Demand items should have no impact. The member explained that market participants buy on price and that the price is based on demand levels and is informative on the state of the market i.e. the price takes into account available market information.

Another Group member provided a counter view in that the improved and clearer information would help participants decide whether to take any triad warning seriously and that current Demand data clouds any accurate decision making. Furthermore the respondent added that as market participants would be better informed, the price for electricity should be of a better value as a result. Another member suggested that, in addition to the price, improved demand data may allow participants to make more informed decisions on procurement of volume, and hence the volume requirements may be favourable impacted by P219. This counterview was supported by a Group attendee who felt that having additional information could only prove to be beneficial to the market.

The Group considered that no further information had been gained as a result of the second Consultation. Given the Panel's concern relating to identifying benefits, the Group noted that some respondents believed that the benefits outweighed the costs. However the Group did not consider that there was any clear evidence to support this assertion.

4.5 Modification Group further discussions based on second Assessment Consultation responses

As stated previously (section 4.2) the Group developed models and suggested to respondents how benefits may be realised under P219 in the hope that respondents would provide their views as well as any cost benefit analysis. However the Group did not see sufficient justification from the responses received and could not understand the lack of responses (especially detailed cost benefit analysis) from small/new market participants and the Demand Side Working Group members who were specifically sent the consultation. As a consequence the Group felt the benefit of P219 were not demonstrated.

The Modification Group acknowledged the **difficulty** in creating the Models and trying to describe the benefits either tangible or intangible. One Group member questioned how benefits could be proven when the Modification has not yet been implemented and the benefit itself does not currently exist in the market. The Group concluded that the probability of respondents describing in detail the benefits would have been an immense struggle, as the Group members themselves found this task extremely difficult.

The Group recollected from their previous meetings that the Proposed Modification was very well defined and that any alternatives would not better facilitate the Applicable BSC Objectives. With this in mind, the Group re-explored the potential alternative solutions as the cost for implementing the Proposed Modification was an issue.

The following **Alternative solutions** were discussed and considered:

- a. Choosing to publish only one stream of Demand data on the BMRS i.e. either National Demand forecast and Out-turn or Transmission System Demand forecast and Out-turn (this option was included in the Modification Proposal by the Proposer and was not considered to be appropriate as it would remove some of the existing information currently available to the market);
- b. Publish one baseline Demand forecast and Out-turn (which would be National Demand data) and a separate data file with Demand data from Interconnectors, Station Transformers and Pumped Storage;
- c. Publish pop up / embedded warnings on the inconsistency in the Demand data that is published on the BMRS (e.g. highlight the differences on current graphs) but the Group felt that this option does not fix the defect of having inconsistent data; and
- d. Publish the breakdown of current Demand information that is published on the BMRS with warning were applicable. However one Group attendee stated that this issue is already covered in the BMRS help text and that the issue still reoccurs.

The Group still felt that none of the options better facilitated the Applicable BSC Objectives when compared to the Proposed Modification. The Group had no evidence that the alternate solutions were more cost effective and the Group was content with the Proposed Modification as it exists.

The Group also suggested that National Grid should consider building in flexibility to their IT systems over the resiliency that they offer. The Group felt that there was a trade off between flexibility and the resilience in terms of costs to making any IT system changes and in doing so would help keep costs associated with similar industry changes low.

The Group agreed to the implementation approach (Section 3.5) but felt that the implementation costs were excessive. This was mirrored by some respondents who added that the cost savings gained from implementing P219 are outweighed by implementation costs.

The Group agreed to the Legal text provided for the Proposed Modification.

4.6 Final views on Applicable BSC Objectives and recommendation to the Panel

Prior to the second consultation being issued, the Modification Group strongly supported additional information being made available to all market participants, due to the benefits in better facilitating BSC Objectives (b) and (c). The Group recognised however that these benefits had to be weighed against the implementation cost of the Modification Proposal. The second consultation was therefore intended to gather evidence that would allow the benefits against Objectives (b) and (c) to be quantified.

The Group considered whether any further evidence of benefits had been provided as a result of the 2nd consultation. Whilst the group noted the assertion by some respondents that the benefits outweigh the costs, it was mindful of the Panel's concern about identifying quantitative or qualitative benefits that would be achieved by implementing P219. The Group however **did not** consider there was sufficient evidence to show that these benefits outweighed the negative impact of the implementation costs on BSC Objective (d) and therefore concluded, by majority that overall P219 did not better facilitate the achievement of the Applicable BSC Objectives.

Therefore the majority view of the group was that the Proposed Modification did not better facilitate the Applicable BSC Objectives. Group members felt that it was difficult to quantify the benefits and as a consequence, virtually impossible for the respondents to do the same.

The one Group member who felt that P219 still better facilitated the Applicable BSC Objectives acknowledged the difficulty in quantifying the benefits. The member did agree with the other Group members that the benefits were difficult to quantify but felt that the costs were not high when compared to the costs savings that could be brought by P219 and noted that a combined P220/P219 implementation approach addressed some of the cost issues raised.

In light of the above assessment and the overwhelming support from respondents in the second Assessment consultation, the **MAJORITY** of the Modification Group recommends to the Panel, that the Proposed Modification **SHOULD NOT** be made

At its final meeting, the Modification Group noted that the second consultation had been issued to the Demand Side Working Group (DSWG) by the Ofgem attendee present at the Modification Group meetings. The group further noted that the lack of response from members of the DSWG. Following the final Modification Group meeting, the Chair of the Modification Group wrote to the DSWG members (via Ofgem) to inform the DSWG members of the outcome of the Modification Group discussions and to:

- further understand why there had been such a low response to the consultation; and
- provide a final opportunity for DSWG members to comment on the benefits of P219.

The Chair agreed that any such responses would be made available to the Panel in considering the P219 Assessment Report. It should be noted that these further responses are contained in Appendix 6 and that no analysis by the Modification Group of the content of these responses has taken place.

5 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
IWA	Initial Written Assessment
CSV	Comma separated value
BETTA	British Electricity Trading and Transmission Arrangements
AM&D	Application Management and Development
INDGEN	Indicated Generation
BMRA	Balancing Mechanism Reporting Agent
BMRS	Balancing Mechanism Reporting System
CSD	Code Subsidiary Document
TNUoS	Transmission Network Use of System

6 DOCUMENT CONTROL

6.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	14/12/07	Sherwin Cotta	ELEXON	For peer review
0.2	05/02/08	Change Assessment	P219 Group	For Modification Group review
0.3	08/02/08	Sherwin Cotta	John Lucas	For technical review
0.4	08/02/08	Sherwin Cotta	Chris Rowell	For quality review
1.0	08/02/08	Change Delivery		For Panel decision

6.2 References

Ref.	Document Title	Owner	Issue Date	Version
1	P219 Initial Written Assessment http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/219/IWA_133_08_P219_IR1.0.pdf	ELEXON	09/11/07	1.0
2	CP1217 'Discontinuing the High Grade BMRS website' http://www.elexon.co.uk/changeimplementation/ChangeProcess/proposals/proposal_details.aspx?proposalId=715	ELEXON	9/11/07	1.0
3	National Grid Electricity Market Information Consultation: Conclusions Report http://www.nationalgrid.com/uk/Electricity/Data/electricitymarketinfo/	National Grid	15/10/07	N/A
4	P219 Requirements Specification: http://www.elexon.co.uk/documents/circulars/Change_Proposal_Circular/CPC00622A.pdf	ELEXON	17/11/07	1.0
5	The Statement of the Use of System Charging Methodology http://www.nationalgrid.com/NR/rdonlyres/33828A47-C4A4-490B-AF7C-25E6E8D7C1DC/17924/UoSCMI3R1FINAL_BSuoS_andCAP142_2.pdf	National Grid	22/06/07	3.0
6	Initial P219 Assessment Report http://www.elexon.co.uk/documents/Change_and_Implementation/modifications/219/Second_P219_Assessment_Consultation_v1.0.pdf	ELEXON	17/01/08	1.0
7	Documentation for P220 'Provision of New Data Items for Improving Market Information' http://www.elexon.co.uk/ChangeImplementation/modificationprocess/modificationdocumentation/modProposalView.aspx?propID=240	ELEXON	09/11/2007	1.0

APPENDIX 1: DRAFT LEGAL TEXT

Draft legal text for the Proposed Modification is attached as a separate document, Attachment [1].

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the BSC Website at:
<http://www.elexon.co.uk/changeimplementation/ModificationProcess/ModificationDocumentation/modProposalView.aspx?propID=239>

Date	Event
26/10/2007	Modification Proposal raised by National Grid
09/11/2007	IWA presented to the Panel
13/11/2007	First Assessment Procedure Modification Group meeting held
27/11/2007	Requirements Specification issued for BSC Agent impact assessment
27/11/2007	Request for Party/Party Agent impact assessments request issued
27/11/2007	Request for Transmission Company analysis issued
27/11/2007	Request for BSCCo impact assessment issued
10/12/2007	BSC Agent impact assessment response returned
10/12/2007	Party/Party Agent impact assessment responses returned
10/12/2007	Transmission Company analysis returned
10/12/2007	BSCCo impact assessment returned
12/12/2007	Second Modification Group meeting held
17/01/2007	Initial Assessment Report presented to the Panel
23/01/2007	Third Modification Group meeting held
24/01/2007	Second Assessment Procedure Consultation held
04/02/2008	Fourth Modification Group meeting held

ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL⁶

Meeting Cost	£ 750 (based on sharing one meeting with that of P220)
Legal/Expert Cost	£ Nil
Impact Assessment Cost	£ 5,000
ELEXON Resource	38 man days £ 7,990

The above costs have not changed from the IWA/Definition Report.

MODIFICATION GROUP MEMBERSHIP

Member	Organisation	13/11/07	12/12/07	23/01/08	04/02/08
Richard Clarke	ELEXON (Chairman)	Y	Y	Y	Y
Sherwin Cotta	ELEXON (Lead Analyst)	Y	Y	Y	Y
Shafqat Ali	National Grid (Proposer)	Y	Y	Y	Y
Bill Reed	RWE npower Trading	Y	Y	Y	Y
Ben Sheehy	E.ON	Y	N	Y	N
Laura Jeff	Centrica	Y	Y	Y	N
Stephen Carter	EDF Energy	Y	Y	Y	N
Gary Henderson	Scottish Power	N	N	Y	Y
Garth Graham	Scottish Southern	Y	N	N	N

Attendee	Organisation				
Andrew Wallace	Ofgem	Y	Y	Y	Y
Irene Babs-Jonah	Ofgem	Y	N	Y	Y
Paul Savage	energywatch	N	N	N	N
Andy Howden	Logica	Y	Y	Y	N
Mark Gribble	Logica	Y	N	N	N
Shantok Karavandra	ELEXON (Lawyer)	N	Y	N	N
John Lucas	ELEXON (Design Authority)	Y	Y	Y	N

⁶ Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link:
http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

Jamie Anavi	ELEXON	Y	N	N	N
Kathryn Coffin	ELEXON	Y	N	Y	N
Paul Auckland	National Grid	Y	Y	Y	Y
Chris Rogers	National Grid	Y	N	N	N
Eddie Proffitt	MEUC	Y	N	N	N
Richard Price	National Grid	N	Y	Y	Y

MODIFICATION GROUP TERMS OF REFERENCE

TERMS OF REFERENCE

(Version 1.0)

APPENDIX FOR MODIFICATION PROPOSAL P219

Modification Proposal P219 will be considered by the P219 Modification Group (which will be formed from the Settlement Standing Modification Group), in accordance with the SSMG's Terms of Reference and this Appendix

P219 – Consistency between Forecast and Out-turn Demand

ASSESSMENT PROCEDURE

- 1.1 The Modification Group will carry out an Assessment Procedure in respect of Modification Proposal P219 in accordance with Section F2.6 of the Code.
- 1.2 The Modification Group will produce an Assessment Report for consideration at the BSC Panel Meeting on 17 January 2008.
- 1.3 The Modification Group shall consider and/or include in the Assessment Report as appropriate:
 - The changes to definitions in the BSC as stated in the Modification Proposal;
 - The appropriate format (e.g. graphic or tabular) in which each proposed new data item would be published on the BMRS and the TIBCO messaging service;
 - The changes to the BMRS and TIBCO messaging service in order to cope with the increased number of data files;
 - The central implementation costs of P219 to the Transmission Company, BMRA and BSCCo – including any potential cost savings which might arise from a parallel implementation with Modification Proposal P220 (to be established via impact assessment);
 - Any Alternative Modification which would better facilitate the achievement of the Applicable BSC Objectives in relation to the issue or defect identified in the Modification Proposal, when compared with the Proposed Modification – including consideration of:
 - ◊ Unbundling the various components i.e. One Demand Forecast and one Demand Out-turn with a separate data files which contains the respective Interconnector flows, station transformer demand and pumped storage demand.
 - Recommended Implementation Date(s) for P219, taking into account any potential interaction with (and cost implications resulting from) Project Isis; and
 - Recommended legal drafting for P219 - having reviewed the suggested drafting included in the Modification Proposal for Section Q and Annex X-2 of the Code, and having developed any additional/amended drafting which may be required (e.g. for Section V or Annex X-1)

APPENDIX 3: RESULTS OF FIRST ASSESSMENT PROCEDURE CONSULTATION

7 responses (representing 39 Parties and 1 non-Party) were received to the P219 Assessment Procedure consultation.

A summary of the consultation responses is provided in the table below.

Q	Consultation question	Yes	No
1.	Do you believe Proposed Modification P219 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	7	0 respondents
2.	Do you support the implementation approach described in the consultation document? Please give rationale	7	0 respondents
3.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	0 respondents	7
4.	Would you use the data (2 sets of Demand forecast and 2 sets of Demand Out-turn) to benefit your business? Please give rationale	6	1
5.	Does P219 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	1	6
6.	Would there be any confidentiality issues regarding the two sets of data published on the BMRS?	0 respondents	7
7.	Are there any further comments on P219 that you wish to make?	2	5

Details of the arguments made by respondents can be found in Appendix 6, along with the Modification Group's consideration of these arguments. Full copies of the consultation responses are attached as a separate document, Attachment [2].

APPENDIX 4: RESULTS OF SECOND ASSESSMENT PROCEDURE CONSULTATION

8 responses (representing 49 Parties and 1 non-Party) were received to the Second P219 Assessment Procedure consultation.

Please note that one response with confidential answers was submitted and in some instances has not been included in the response summary i.e. there were only seven responses instead of eight. This is applicable to questions 4, 8 and 10 of the consultation questionnaire.

A summary of the consultation responses is provided in the table below

Q	Consultation question	Yes	No	Neutral
1.	Do you feel that the defect described in the Proposed Modification P219 should be addressed? Please give rationale	7	1	0
2.	Do you believe Proposed Modification P219 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	7	1	0
3.	Do you support the implementation approach described in the Consultation document? Please give rationale	7	1	0
4.	Do you use the forecast out-turn and Demand data items on the BMRS? If yes, what for?	4	2	1
5.	In order for improved balancing to payback the cost of implementing the Proposed Modification P219 alone, there would need to be at least a reduction in balancing costs of about 0.07% (as explained in section 3 of the Consultation document). Do you believe the implementation of P219 could achieve this? Please give rationale and please explain how you may change your individual behaviour to achieve this target?	5	2	1

Q	Consultation question	Yes	No	Neutral
6.	Do you subscribe to any third parties (e.g. energy consultancies) in order for the provision of clear and transparent information to base your Forecasts on and what is the approximate amount spent?	5	3	0
7.	Would you see the implementation of P219 as reducing any third party (e.g. energy consultancies) costs?	2	6	0
8.	If you receive such third party (e.g. energy consultancies) Demand information what value do you place on the information provided by P219 on: a) you as a party b) on the industry as a whole Do you feel that the benefits of P219 outweigh the implementation costs?	1	1	5
9.	Would you save on costs to your business, if P219 were to be implemented? If yes, please give amounts and rationale	2	5	1
10	Do you believe there are any other benefits, quantitative or qualitative (including cost savings in UK pounds) of publishing the revised forecast out-turn and demand data items on the BMRS: a) to you as a Party; and b) to the industry?	3	2	2
11	Are there any further comments on P219 that you wish to make?	4	2	2

Details of the arguments made by respondents can be found in Section 3, along with the Modification Group's consideration of these arguments. Full copies of the consultation responses are attached as a separate document, Attachment [3]

APPENDIX 5: RESULTS OF IMPACT ASSESSMENT

During the Assessment Procedure an impact assessment was undertaken in respect of all BSC systems, processes, documentation and parties. The following have been identified as impacted by P219.

For details of the costs associated with these impacts, please refer to Section 3.

a) Impact on BSC Systems and Processes

System / Process	Impact of Proposed/Alternative Modification
BMRS	<p>Changes will be required to the system interfaces that transmit data from National Grid to the BMRA. Changes will also be required to the BMRS in order to make the new data items available to Parties via the website and (for High Grade users) the TIBCO messaging service.</p> <p>The P219 change interacts with the Phase 1 electricity summary page (planned for implementation in Q1 of calendar year 2008). In order to compare Demand Forecast data with INDO (which excludes pumped storage, station transformer and Interconnector Demand) the Phase 1 solution has specific logic for identifying the 09.00 am Demand Forecast. This logic would be redundant under P219.</p>

A copy of the full BSC Agent impact assessment is attached as a separate document, Attachment [4].

b) Impact on BSC Agent Contractual Arrangements

No Impact

c) Impact on BSC Parties and Party Agents

BSC Parties and non-Parties who currently use the BMRS High Grade Service will be able to receive the new and amended data items via the website and/or TIBCO messaging.

Full copies of the Party and Party Agent impact assessment responses are attached as a separate document, Attachment [5].

d) Impact on Transmission Company

Changes will be required to the National Grid systems, in order to submit the amended (new and existing) data files to the BMRA. Changes will also be required to the 'BMRS & SAA Interface Specification' which sets out the format of data submitted to the BMRS and ELEXON. A copy of the full Transmission Company Proforma is attached as a separate document, Attachment [6].

e) Impact on BSCCo

No Impact

f) Impact on Code

Code Section	Impact of Proposed/Alternative Modification
Section Q 6.1	As indicated in the suggested Legal text of the Modification Proposal
Section V	As indicated in the suggested Legal text of the Modification Proposal
Section X	As indicated in the suggested Legal text of the Modification Proposal

Code Section	Impact of Proposed/Alternative Modification
Annex X-2	As indicated in the suggested Legal text of the Modification Proposal
Table X-2	As indicated in the suggested Legal text of the Modification Proposal

A copy of the draft legal text to give effect to these changes can be found in Appendix 1.

g) Impact on Code Subsidiary Documents

Document	Impact of Proposed/Alternative Modification
BMRA Service Description	Changes would need to be captured to this document

h) Impact on Core Industry Documents/System Operator-Transmission Owner Code

No impact

i) Impact on Other Configurable Items

Document	Impact of Proposed/Alternative Modification
BSC Agent Interface Definition and Design (IDD) Part 1	Changes to these documents may be required to reflect the BMRA's receipt and publication of new data items under P219.
BSC Agent Interface Definition and Design (IDD) Part 2	
BMRA Design Specification	
BMRA Manual System Specification	
BMRA Operating Services Manual	
BMRA System Specification	
BMRA User Requirements Specifications (URS)	

j) Impact on BSCCo Memorandum and Articles of Association

No impact

k) Impact on Governance and Regulatory Framework

No impact

APPENDIX 6: RESPONSES FROM THE DSWG

Please find enclosed responses from the DSWG which have been included as attachment [7]. The DSWG respondents had an additional 4 days after the second consultation deadline to make available their responses. **No** analysis by the Modification Group of the content of these responses has taken place.

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1. Do you have any comments on the tone and content of the report?
2. Was the report easy to read and understand, could it be written better? If so, how?
3. Do you have any comments on the structure of the document?

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