

Responses from P216 Assessment Report Consultation

Consultation Issued on 20 December 2007

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	SmartestEnergy Ltd	P216_AR_01	1	0
2.	TMA	P216_AR_02	0	4
3.	Central Networks	P216_AR_03	2	0
4.	Scottish and Southern Energy plc	P216_AR_04	8	0
5.	Uskmouth Power Limited	P216_AR_05	1	0
6.	WPD (S Wales) and WPD (S West)	P216_AR_06	0	2
7.	Npower Limited	P216_AR_07	10	0
8.	British Energy	P216_AR_09	5	0
9.	Scottish Power	P216_AR_10	6	0
10.	Electricity North West Limited	P216_AR_11	1	0

P216 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Colin Prestwich</i>
Company Name:	<i>SmartestEnergy Ltd</i>
No. of BSC Parties Represented	<i>1</i>
Parties Represented	<i>SmartestEnergy</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>0</i>
Non Parties represented	<i>None</i>
Role of Respondent	<i>Supplier / Trader / Consolidator</i>
Does this response contain confidential information?	<i>No</i>

Q		Question	Response	Rationale
1.		Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	The modification introduces greater transparency, consistency, auditability and accuracy to the mysteries of LLF production. BSC Objectives c) and d) are met.
2.		Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.		Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		
4.		Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale	Yes	

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Q		Question	Response	Rationale
5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?		Prospectively only
6.	a)	Do you agree with the approach to auditing IDNOs?	Yes	
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?	No	
7.		Does P216 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	No	
8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale	Yes	
	b)	What would you consider to be materially significant? Please give rationale	-	Any four figure number over a year long period
9.		Are there any further comments on P216 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

P216 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Name Alex Pourcelot</i>
Company Name:	<i>TMA</i>
No. of BSC Parties Represented	<i>0</i>
Parties Represented	<i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>4</i>
Non Parties represented	<i>.UDMS HHDC, HHDA, NHHDA; LBSL NHHDA</i>
Role of Respondent	<i>Party Agent</i>
Does this response contain confidential information?	<i>Please clearly state which information is confidential.</i>

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	<p>P216 supports the objectives of the BSC Code, specifically Section B 1.2.1 (b) (iii): <i>“promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase (as defined in the Transmission Licence) of electricity;”</i> and Section B 1.2.1 (c) : <i>“that the Code is given effect without undue discrimination between Parties or classes of Party;”</i> and Section B 1.2.1(d): <i>“consistent with the full and proper discharge of the functions and responsibilities of the Panel and BSCCo, that the Code is given effect as economically and efficiently as is reasonably</i> </p>

				<p><i>practicable”</i> and Section B1.2.1 (e): <i>“subject to the express provisions of the Code (including provisions as to confidentiality and including paragraph 1.2.2) and to any other duties of confidence owed to third parties, that there is transparency and openness in the conduct of the business of the Panel and BSCCo”</i></p> <p>(This last (e) most especially in terms of “transparency”).</p>
2.		Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.		Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		
4.		Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale	Yes	
5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?	Yes	
6.	a)	Do you agree with the approach to auditing IDNOs?	Yes	
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?	No	
7.		Does P216 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	No	
8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of	Yes	Our understanding is that Suppliers would consider this material.

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		the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale		
	b)	What would you consider to be materially significant? Please give rationale	-	We believe it is for Suppliers to quantify what they believe would be material; but would assert that that Suppliers may make this judgement independently of Market Audit materiality thresholds
9.		Are there any further comments on P216 that you wish to make?	Yes	How will the default LLF values be communicated to HHDA? Will the DNO and IDNO include the default values in the D0265 for LLF that have failed the audit process?

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Andrew Neves</i>
Company Name:	<i>Central Networks</i>
No. of BSC Parties Represented	<i>2</i>
Parties Represented	<i>Central Networks East, Central networks West</i>
No. of Non BSC Parties Represented (e.g. Agents)	
Non Parties represented	
Role of Respondent	<i>Distributor</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	I do not believe that there is strong evidence of the need for this modification. Evidence from GSP Correction Factors and, in particular, Annual Demand Ratios, does not suggest any significant issue with LLFs. Analysis conducted during the assessment has indicated that any ability that inaccurate LLFs have to distort competition is weak.
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		

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Q		Question	Response	Rationale
4.		Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale	Yes	<u>The following responses (Q4-9) are made without prejudice to the overall comments above</u> Any timetable should provide sufficient time for corrective actions ahead of implementation of LLFs
5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?	Yes	The SVG and ISG have both indicated their opposition to retrospective adjustment of LLFs and, therefore, in general, retrospection should be avoided. It would be appropriate to allow the SVG and ISG the option to allow retrospection in extreme circumstances however.
6.	a)	Do you agree with the approach to auditing IDNOs?	Yes	Any audit of IDNOs should be very 'light touch', consistent with the current reality of the very low risks in this area.
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?	No	In the short term, while IDNOs are very minor players in distribution overall, it seems appropriate for them to mirror host DSO losses. There may be a case to move away from this position if IDNOs become more significant in distribution or if evidence emerges that losses on IDNO networks are significantly different from those on host DSO networks.
7.		Does P216 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	No	

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Q		Question	Response	Rationale
8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale	No	<p>The analysis has been helpful in understanding potential impacts, but the materiality of the values calculated must be judged in relation to suppliers' overall electricity costs and is small in this context.</p> <p>The methodology used relies on very large distortions of LLFs to expose potential impacts (e.g. 20%). Distortions of this order are hugely exaggerated and, if they occurred, would immediately become apparent in GSPCF. To illustrate this, if we assume that NHH volume represent half of total volume in a GSP group, then a distortion of 20% in all LLFs would show up as correction factors and (eventually) ADRs of 0.6 or 1.4 - vastly outside the ADR range seen either currently (~ 0.97 to 1.02), or historically.</p>
	b)	What would you consider to be materially significant? Please give rationale	-	Materiality should be judged in relation to suppliers' overall electricity purchase costs.
9.		Are there any further comments on P216 that you wish to make?	No	

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Respondent:	Mo Sukumaran
Company Name:	Scottish and Southern Energy plc
No. of BSC Parties Represented	8
Parties Represented	SSE Energy Supply Ltd., SSE Generation Ltd., Keadby Generation Ltd., Medway Power Ltd., SSE (Ireland) Ltd., Slough Energy Supplies Ltd., Southern Electric Power Distribution plc., Scottish Hydro Electric Power Distribution plc.
No. of Non BSC Parties Represented (e.g. Agents)	0
Non Parties represented	N/A
Role of Respondent	Supplier/Generator/Trader/Distributors
Does this response contain confidential information?	No

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	In setting of the LLF, the Distributor complies with its licence requirements and is based upon the methodology described in its methodology charging statement. Customers and Suppliers can approach the Distributor to seek explanation on how the LLFs are calculated. Applicable BSC Objectives c & d
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	We strongly believe that the existing methodology is fit for purpose and no amendment is required.
3.	Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		

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Q		Question	Response	Rationale
4.		Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale	No	We believe that the current process is fit for purpose and that audits are therefore not required.
5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?	Yes	However, if the error is significantly material then under such circumstances the LLFs perhaps should be applied retrospectively back to 1 April. providing there are no implementation issues.
6.	a)	Do you agree with the approach to auditing IDNOs?	No	Consistent with answer to Q4. above.. ..
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?	No	Unless IDNO connection point is at voltage transformation e.g. IDNO connects at HV for IDNO network at LV. Creating LLFs for each network potentially could be a problem as the number of LLFCs are limited.
7.		Does P216 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	No	
8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale	No	In the context of significant costs required to implement P216.
	b)	What would you consider to be materially significant? Please give rationale		Benefits should outweigh the costs and resources employed.
9.		Are there any further comments on P216 that you wish to make?	Yes	We do not believe that there is any business case for P216. Existing processes are fit for purpose.

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P216 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	Rebecca Williams
Company Name:	Uskmouth Power Limited
No. of BSC Parties Represented	1
Parties Represented	Uskmouth Power
No. of Non BSC Parties Represented (e.g. Agents)	None
Non Parties represented	
Role of Respondent	Generator
Does this response contain confidential information?	No

Q		Question	Response	Rationale
1.		Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	Applicable BSC Objective (c) and (d) would be better facilitated by the proposed modification P216. The audits will provide Suppliers with assurance that the applied LLF are consistent with the established principles. The high level principles will provide increased transparency in the way that LLF are derived for use in Settlement.
2.		Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	The amount of auditing looks rather high once it is established that the LLFs are correct. It may be better in the longer term to audit where LLFs alter by a certain percentage change as a result of a methodology change. Where methodologies do not alter is it still necessary to audit to check they are correctly applied. This should not be onerous, but could be done by asking DNOs to provide data on changes in demand/generation to inform where audits are carried out.
3.		Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		

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Q		Question	Response	Rationale
4.		Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale	Yes	
5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?	Yes	By allowing LLF to be applied retrospectively, back to 1 April, creates far too much uncertainty. Notice of changes must also be clearly given.
6.	a)	Do you agree with the approach to auditing IDNOs?	Yes	IDNOs should be included in the audit process.
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?	No	
7.		Does P216 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	Yes	The costs of the audits and their frequency should be kept under review. Is it possible that where a DNO fails an audit that they are charged for it?
8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale	Yes	Though it does depend on the nature and location of the supply business.
	b)	What would you consider to be materially significant? Please give rationale	-	
9.		Are there any further comments on P216 that you wish to make?	Yes	We have not completed the high level principles pro-forma as we are not experts in this area. However, the work of the mods group looks robust and we feel the important thing is to get more robust LLFs into the settlement systems.

P216 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	<i>Name Nigel Lloyd</i>
Company Name:	<i>WPD (S Wales) and WPD (S West)</i>
No. of BSC Parties Represented	<i>2</i>
Parties Represented	<i>WPD (S Wales) and WPD (S West)</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>0</i>
Non Parties represented	
Role of Respondent	<i>Distributor</i>
Does this response contain confidential information?	<i>None</i>

Q		Question	Response	Rationale
1.		Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	/ No	The modification proposal has failed to demonstrate that there is a significant problem to be remedied and as such the changes proposed are excessively burdensome. The DSO's already publish their LLF methodologies and these are available to all. Similar principles are already employed by the DSO's The audit process requires LLF's to be produced earlier than would otherwise be necessary with a possible loss of quality.
2.		Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.		Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		

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Q		Question	Response	Rationale
4.		Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale		Should the audit be adopted this seems a sensible timetable
5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?		Should the audit be adopted LLF's should only be applied prospectively.
6.	a)	Do you agree with the approach to auditing IDNOs?	Yes	
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?		It seems appropriate for the IDNO's to make there own proposals for alternative methods.
7.		Does P216 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	No	
8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale	No	A number of interesting pieces of analysis have been performed. However much of the work is of little or no relevance to the P216 modification request. Variations 1 and 2 tested the effect of increasing or decreasing the overall losses. The P216 proposals could have an impact on the allocation of the overall losses but not the estimate of the total value. Again with variation 7 the choice of time periods is not affected by P216. this more by nature of a policy decision, in particular balancing accurate reflection of losses with the practicality of having many time periods. It should also be noted that the LLF's apply to all suppliers and is information that is available for use at the time when supply prices are set.

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Q		Question	Response	Rationale
	b)	What would you consider to be materially significant? Please give rationale	-	It is difficult to know what can be considered materially significant. However it is clear that there are other deficiencies in the settlement process e.g. the accuracy of profiles that have a much larger effect than the value of LLF's.
9.		Are there any further comments on P216 that you wish to make?	No	

Parties are encouraged to provide financial information with regard to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **5pm on 15 Tuesday January 2008** to modification.consultations@elexon.co.uk and please entitle your email 'P216 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Ysanne Hills on 020 7380 4162, email address ysanne.hills@elexon.co.uk.

P216 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Andy Manning</i>
Company Name:	<i>Npower Limited</i>
No. of BSC Parties Represented	<i>10</i>
Parties Represented	<i>RWE Trading GmbH; RWE Npower Ltd; Npower Commercial Gas Ltd; Npower Cogen Trading Ltd; Npower Direct Ltd; Npower Ltd; Npower Northern Ltd; Npower Northern Supply Ltd; Npower Yorkshire Ltd; Npower Yorkshire Supply Ltd</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>None</i>
Non Parties represented	<i>N/A</i>
Role of Respondent	<i>Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	It is reasonable that by providing clarity and consistency, particularly through the high-level principles, this will aid the understanding of all parties and so aid competition and better meet objective (c). However we believe the detrimental effect an onerous audit programme, without tangible benefits, will have on efficiency, and so objective (d) will out-weigh this.
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		

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Q		Question	Response	Rationale
4.		Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale	Yes	It is pleasing to see that the timetable should allow for audit failures to be rectified before 1 st April
5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?	No	Clearly, all efforts should be made to ensure that failures are resolved in a timely fashion. Given that suggested default values appear reasonable it should not cause too much disturbance to apply for the full year, which was the basis for which they were originally calculated
6.	a)	Do you agree with the approach to auditing IDNOs?	Yes / No	This appears proportionate with both the small number of IDNO-connected site and the simplicity of the IDNO methodology
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?	No	Whilst it is recognised that it could be expected that IDNO would have reduced losses on a comparative basis, due to generally newer networks, any other approach would bring in significant levels of complexity for all involved parties
7.		Does P216 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	No	
8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale	No	Due to the interaction of the GSPGCF and the LLFs, one will always reduce the effect of the other. Overall, given the variations displayed are relatively extreme and impacts are small. For an individual site, with a site-specific LLF, it is recognised the effects may well be material as the GSPGCF will not balance any effect.
	b)	What would you consider to be materially significant? Please give rationale	-	As noted above, due to the interaction of LLFs and the GSPSCF, it is possibly unsurprising that the effects on individual suppliers is not significant.
9.		Are there any further comments on P216 that you wish to make?	No	

P216 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

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Respondent:	<i>Deborah Bird/Martin Mate</i>
Company Name:	<i>British Energy</i>
No. of BSC Parties Represented	<i>5</i>
Parties Represented	<i>British Energy Direct Ltd, British Energy Generation Ltd, British Energy Power & Energy Trading Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd</i>
No. of Non BSC Parties Represented (e.g. Agents)	<i>-</i>
Non Parties represented	<i>-</i>
Role of Respondent	<i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent</i>
Does this response contain confidential information?	<i>No</i>

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	P216 would better facilitate the achievement of the Applicable BSC Objectives c and d. Transparency would encourage accurate determination by distribution companies, giving more accurate allocation of costs to parties and accuracy of settlement volumes, thus promoting competition. Avoidance of retrospective and mid-year changes would reduce uncertainty for participants, reducing barriers to entry for new market participants.
2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
3.	Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		

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Q		Question	Response	Rationale
4.		Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale	Yes	Broadly in agreement. As a Supplier, we are of the opinion that the DSOs are better placed to answer the question with regard to specific details.
5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?	Yes	LLFs should only be applied prospectively. On the basis that an LLF is a forward estimate of losses on which parties take commercial decisions, and parties do not have information to predict LLF themselves, we see no rationale for revising LLFs mid-year. This principle should encourage DSOs to ensure their LLF calculations are suitably accurate.
6.	a)	Do you agree with the approach to auditing IDNOs?	Yes	
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?	No	
7.		Does P216 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	No	None at this time.
8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale	Yes	The significance of the materiality would depend upon the size and customer portfolio of the Supplier.
	b)	What would you consider to be materially significant? Please give rationale	-	
9.		Are there any further comments on P216 that you wish to make?	No	None at this time.

P216 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	Maria Jackqualine
Company Name:	SAIC Ltd. (for and on behalf of ScottishPower)
No. of BSC Parties Represented	6
Parties Represented	<i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i> ScottishPower Energy Management Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, SP Transmission Ltd, SP Manweb plc, SP Distribution Ltd
No. of Non BSC Parties Represented (e.g. Agents)	0
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i> N/A
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / Distributor / other – please state ¹)</i> Supplier / Generator / Trader / Consolidator / Exemptible Generator / Distributor
Does this response contain confidential information?	No

Q	Question	Response	Rationale
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¹ Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

P216 ASSESSMENT PROCEDURE CONSULTATION

1.	Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No and Yes	<p>There are 2 key issues for this Mod which are not necessarily linked. There is a risk that proposals to address both are rejected, where proposals for only one of the issues are unacceptable. The 2 issues are:</p> <ul style="list-style-type: none"> - models for LLFs calculation - correct allocation of LLFs to MPANs <p>In terms of the models for the LLFs calculation, ScottishPower in general supports the idea of introducing some harmonisation, however we believe that the proposed principles are flawed (in particular principles 6 and 14) and would in fact have a negative impact in competition (applicable objective C). Furthermore, there is no evidence to suggest that competition has been or would be negatively impacted by the current baseline with regard to the calculation of Line Loss Factors. With regard to Applicable Objective D, SP believes that creating high-level principles and an audit process demonstrates that, on balance, P216 could introduce greater efficiency to the Balancing & Settlement arrangements, despite the additional cost burden that the audit would entail.</p> <p>The proposed solution in the area concerning the correct allocation of LLFs to MPANs would better meet Applicable Objectives C and D, this is because suppliers and distributors spend a considerable time correcting invalid LLF allocations which also hinder customer analysis of settled volumes and contribute to settlement uncertainty.</p>
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P216 ASSESSMENT PROCEDURE CONSULTATION

2.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	<p>- As said before, there are 2 key issues being addressed, in this Mod.</p> <p>SP believe that a set of high-principle rules for the calculation of LLFs together with an audit process has merits, as it would provide assurance to the industry and stakeholders about the accuracy and consistency of the calculations. However, these rules need to be correctly specified. We believe that the rules currently proposed are not correctly specified and need further work. One of the issues that needs modification is the ability of changing to change LLFs mid-year. We understand that this would need an Alternative Solution, which should be actioned.</p> <p>ScottishPower also strongly believes that the 'LLF allocation' issue should be pursued, as it has strong impacts on suppliers and distributors.</p>
3.	Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		
4.	Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale	Yes	This should allow sufficient time to resolve issues arising.

P216 ASSESSMENT PROCEDURE CONSULTATION

5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?	No	<p>The suggestion that inaccurate losses in previous settlement periods should simply be ignored would seem entirely at odds with the principle of Settlement and Reconciliation.</p> <p>The impact of such revised values will naturally be limited to only non-crystallised Settlement data, as LLF values are applied each April and, if P216 were to be implemented, this application would only occur following the LLF audit.</p> <p>If there are remaining concerns over the potential for retrospection to apply beyond the reconciliation window, then something could be added to P216 to limit this to twelve months.</p>
6.	a)	Do you agree with the approach to auditing IDNOs?	Yes	If P216 were to be implemented, then there is no reason why the audit should not extend to IDNOs.
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?	Perhaps	<p>It is difficult to see what alternative an IDNO could have initially.</p> <p>However, if its network was to expand considerably, and given that boundary metering values are generally available to IDNOs, it may be better placed to accurately identify losses between the DNO boundaries and the exit points and so develop its own methodology for estimating the losses going forward.</p>

P216 ASSESSMENT PROCEDURE CONSULTATION

7.	Does P216 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	Yes	<p>An analysis of the volume impact in the distributors area would be useful to market participants. The current summary report is inadequate for these purposes. Using the same format as the current summary report, a relatively straightforward development could provide a 'P₁Q₀ compared to P₀Q₀ analysis'; that is, applying the new LLFs to the previous year's volumes in that distributor's area and showing comparison with the previous year's loss volumes by LLF.</p> <p>SP believes that it cannot be the distributors' role to perform this analysis, since (by definition) the LLF calculation must be independent to any effect in the settlement process. The analysis could be performed by Elexon or by the auditing agent and made available to the market participants.</p>
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P216 ASSESSMENT PROCEDURE CONSULTATION

8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale	Inconclusive	<p>The analysis used the extreme example of a 20% shift in LLF values, although unlikely, such a scenario is possible under the current validation rules and would be material. It is possible this might be the right thing to do, but such a change should not go unchallenged.</p> <p>A shift in LLF value of more than say +/- 10% should prompt ELEXON to enter into a dialogue with the relevant DNO to help determine the appropriateness of the revised LLF.</p> <p>Is it essential to review the level of LLF changes in the last 5 years. This could be most easily assessed from the weighted average line loss factor by consumption component class; this would show the main impact on HH / NHH / UMS and export allocations; a more detailed analysis of the split between PCs could also be instructive though would involve more data processing.</p> <p>Importantly, shifts in LLF values will result in consequential impacts on GCF, which could be material.</p>
	b)	What would you consider to be materially significant? Please give rationale	-	For the sake of consistency, it would seem reasonable to apply a similar threshold to that used by the TDC i.e. £500. This should be in aggregate per supplier per day, otherwise the overhead of investigation would quickly become unsustainable.
9.		Are there any further comments on P216 that you wish to make?	No	

P216 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	<i>Vara Tadi</i>
Company Name:	<i>Electricity North West Limited</i>
No. of BSC Parties Represented	<i>one</i>
Parties Represented	Electricity North West Ltd
No. of Non BSC Parties Represented (e.g. Agents)	<i>none</i>
Non Parties represented	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / Distributors / other – please state ¹)</i>
Does this response contain confidential information?	<i>Please clearly state which information is confidential.</i>

Q		Question	Response	Rationale
1.		Do you believe Proposed Modification P216 would better facilitate the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes / No	Agree with the majority view put forward by the modification group
2.		Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes / No	All available information/scenarios appear to have been provided through the modification group.
3.		Please use Attachment 1: P216 High Level Principles Proforma, to provide comments on the High Level Principles.		
4.		Do you agree with the timetable for the audits? If not, when do you consider would be the best time to conduct the audits? Please give rationale	Yes /	

¹ Delete as appropriate – please do not use knockout, this is to make it easier to analyse the responses

P216 ASSESSMENT PROCEDURE CONSULTATION

Q		Question	Response	Rationale
5.		When an audit is failed, and the revised LLF values become available mid year, should the LLFs be applied prospectively (for the rest of the year, going forward only) rather than retrospectively (back to 1 April)?	Yes / No	
6.	a)	Do you agree with the approach to auditing IDNOs?	Yes / No	
	b)	Under P216, are there any alternatives for IDNOs estimating their LLFs, other than mirroring the host DSOs LLF values?	Yes / No	IDNOs are required to publish their own methodologies and should therefore be audited, irrespective of whether they have the same LLFs as the host. IDNOs should define their own LLFs.
7.		Does P216 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	Yes / No	
8.	a)	Analysis undertaken to establish the sensitivity of GSPGCF to changes in LLFs (Attachment 2), gives an indication of the potential materiality of altering LLF values. Do you consider these values materially significant? Please give rationale	Yes / No	The report does show that in some cases the differences can be significant. However other factors such as EACs, Annualised Advances and the trading status of MPANs must also be taken into consideration.
	b)	What would you consider to be materially significant? Please give rationale	-	
9.		Are there any further comments on P216 that you wish to make?	Yes / No	