

Responses from P216 draft Report Consultation

Consultation Issued on 19 February 2008

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	SmartestEnergy	P216_dMR_01	1	0
2.	Central Networks	P216_dMR_02	2	0
3.	Scottish and Southern Energy plc	P216_dMR_03	8	0
4.	CE Electric UK	P216_dMR_04	2	0
5.	British Energy	P216_dMR_05	5	0
6.	SAIC Ltd. (for and on behalf of ScottishPower)	P216_dMR_06	6	0
7.	Western Power Distribution	P216_dMR_07	2	0
8.	Waters Wye Associates	P216_dMR_08	0	1
9.	Electricity North West Ltd	P216_dMR_09	1	0
10.	TMA	P216_dMR_10	0	3

## P216 REPORT PHASE 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.

<b>Respondent:</b>	<i>Colin Prestwich</i>
<b>Company Name:</b>	SmartestEnergy
<b>No. of BSC Parties Represented</b>	One
<b>Parties Represented</b>	<i>SmartestEnergy Ltd</i>
<b>No. of Non BSC Parties Represented</b>	None
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	<i>Supplier/ / Trader / Consolidator /</i>
<b>Does this response contain confidential information?</b>	<i>No</i>

<b>Q</b>	<b>Question</b>	<b>Response <sup>1</sup></b>	<b>Rationale</b>
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made? Please give rationale.	No	We believe that the proposed modification <b>SHOULD</b> be made because we feel that the amount of retrospective change should be kept to an absolute minimum so that suppliers' contractual risk is reduced.
2.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made? Please give rationale.	No	However, the alternative is a million times better than the baseline and the above point (under question 1) is a minor detail compared with the improvements this modification makes.

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Q	Question	Response <sup>1</sup>	Rationale
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P216? Please give rationale.	Yes	
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.	Yes	
5.	Are there any further comments on P216 that you wish to make?	Yes	<p>Line Loss Factors represent a significant risk to settlements and it is absolutely correct that this modification brings greater assurance under the BSC where the financial effects of LLFs are felt.</p> <p>The proposal is consistent with Ofgem's desire to bring about greater equitability for the treatment of distributed energy.</p> <p>This modification delivers much of the transparency, consistency, auditability and improved accuracy that the modification proposal intended and, as such, we would be very happy if either of the Proposed Modification or the Alternative were to be approved by Ofgem.</p>

Please send your responses by **12:00 noon on Tuesday 4 March 2008** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P216 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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](mailto:ysanne.hills@elexon.co.uk).

## P216 REPORT PHASE CONSULTATION QUESTIONS

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

<b>Q</b>	<b>Question</b>	<b>Response <sup>1</sup></b>	<b>Rationale</b>
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made? Please give rationale.	Yes	See below
2.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made? Please give rationale.	No	<p>We do not believe that there is sufficient evidence of the need for this modification (original or alternative). Evidence from GSP Correction Factors and, in particular, Annual Demand Ratios, does not suggest any particular issue with LLFs, and any offset from unity may be the result of many known settlement problems.</p> <p>Analysis conducted during the assessment phase indicates tat any ability inaccurate LLFs have to distort competition is very weak. In light of this, more weight should be given to the need for stability in loss factors, rather than the search for illusive 'correctness'. We are also concerned that the imperative to</p>

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Q	Question	Response <sup>1</sup>	Rationale
			recalculate loss factors more frequently will give rise to spurious adjustment and instability of loss factors. Such instability would not be in the interests of either the competitive market or the end user.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P216? Please give rationale.	Yes / No	The proposed implementation dates are probably achievable but very tight in view of the amount of work implied for LDSOs, particularly in relation to the re-calculation of site specific loss factors.
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.	Yes	
5.	Are there any further comments on P216 that you wish to make?	No	

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## P216 REPORT PHASE 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.

<b>Respondent:</b>	Mo Sukumaran
<b>Company Name:</b>	Scottish and Southern Energy plc
<b>No. of BSC Parties Represented</b>	8
<b>Parties Represented</b>	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.
<b>No. of Non BSC Parties Represented</b>	0
<b>Non Parties represented</b>	N/A
<b>Role of Respondent</b>	Supplier/Generator/Trader/Distributors
<b>Does this response contain confidential information?</b>	No

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made? Please give rationale.	Yes	We are strongly opposed to any changes to the current process for validating LLFs. We are not convinced that there is a strong case business case justification for the implementation of P216. Existing processes are fit for purpose
2.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made? Please give rationale.	No	As for for Q.1.

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Q	Question	Response <sup>1</sup>	Rationale
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P216? Please give rationale.	Yes if implemented	
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.	Yes, it appears to.	
5.	Are there any further comments on P216 that you wish to make?	No further comment at this time	

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## P216 REPORT PHASE 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.

<b>Respondent:</b>	<i>Pat Wormald</i>
<b>Company Name:</b>	<i>CE Electric UK</i>
<b>No. of BSC Parties Represented</b>	2
<b>Parties Represented</b>	<i>Northern Electric Distribution Ltd and Yorkshire Electricity Distribution plc</i>
<b>No. of Non BSC Parties Represented</b>	
<b>Non Parties represented</b>	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
<b>Role of Respondent</b>	<i>Distributor</i>
<b>Does this response contain confidential information?</b>	<i>Please state clearly which information is confidential.</i>

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made? Please give rationale.	Yes	<p>We agree that P216 may provide more certainty, but we do not believe it better facilitates the applicable objectives compared to the current regime, nor does it allow flexibility to deal with events as they arise, or better facilitate innovation</p> <p><b>P216 Original – forbids mid-year changes to LLFs</b></p> <p>Forbidding mid-year changes to LLFs could introduce distortions and cross subsidies in the market caused either by failure to reflect new system configurations (e.g. a new circuit or connection), or failure to correct identified LLF errors in settlements. It also seems counter intuitive to the iterative reconciliation approach upon which settlements is based</p> <p>For this reason, P216 does not better facilitate the applicable objectives (c) effective competition and (d) the administration of the balancing and settlement arrangements and should therefore be rejected.</p>



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Q	Question	Response <sup>1</sup>	Rationale
2.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made? Please give rationale.	No	<p>We agree that alternative modification P216 again provides more certainty, but we still do not believe it better facilitates the applicable objectives compared to the current baseline.</p> <p>We believe that insufficient consideration has been given to the impact of the high-level principles on future innovation or their individual costs and benefits for the industry as a whole.</p> <p>For example, with regard to Principle 6 – Import and export LLFs to be equal.</p> <p>We believe this could introduce distortions and cross subsidies in the market where there is a proven case for different treatment of import and export. For example, solar panel exports are not going to reduce losses in an area with an abundance of off-peak heating import, whereas they may reduce losses in an area of abundant day time demand. No doubt there are other scenarios where LLFs could not reflect reality under P216 Alternative.</p>
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P216? Please give rationale.	Yes / No	If the modification is implemented as currently the drafted and within the planned timetable we see no reason why this date should not be achievable.
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.	Yes / No	We assume the panel have put in place the appropriate legal text.

Q	Question	Response <sup>1</sup>	Rationale
5.	Are there any further comments on P216 that you wish to make?	Yes	<p>The Group noted that the burden of recalculating LLFs as a result of P216 will fall mainly on DNOs, without there being clear benefits of the P216 solution for DNOs. The group suggested that DSOs could choose to pass these costs on, through the price control process however there was no further detail on how this could be achieved.</p> <p>Currently DNO's are free to take a pragmatic view of losses and may review losses but not necessarily recalculate them based on the level of system changes – ultimately any cost savings are passed-on to suppliers. This proposed regime removes this freedom to act and could increase costs within the industry.</p> <p>The Group noted a view that the annual demand ratio (ADR) trends do not suggest an issue with the current LLFs. It was further noted that the ADR trend would not identify any individual LLF inaccuracies, where the overall level of losses was unchanged.</p> <p>In view of these issues we feel that the panel have the option to put forward a recommendation that an Issue Standing Modifications Group (ISMG) is set up which could ensure that initially the high level principles are signed up to by everyone.</p> <p>Early in the process the group agreed that moving towards a single methodology would constitute a significant volume of work in the short term. However, we believe more time ought to be spent considering the high level principles and whether they restrict innovations in calculating losses and whether the benefits of each principle outweigh the costs of implementation.</p> <p>We believe that the production of high level principles that would be acceptable to all parties, will require major input from Distributors, but will reap benefits for all concerned (not least customers) in the long run. There appears to be an appetite among some parties for increased certainty for Distributors to convince the industry that LLFs are fit for purpose, and that the existing regulatory audits are sufficient to protect everyone's interests. We believe further consideration should be given to the potential for other ways of providing the reassurances that some parties seem to be looking for without implementing 216 now and an ISMG may be the way to explore this.</p>

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Q	Question	Response <sup>1</sup>	Rationale
5.	(cont) Are there any further comments on P216 that you wish to make?		<p>The proposed 15 principles are too prescriptive and appear to be over reliant on referencing a previous methodology; some of the principles may stifle innovation and advances in the calculation of the LLFs; for example principle one states that: "All LLFs shall be calculated using a generic (non site-specific) method except ..... It may be in the future that we are able to do a more site-specific approach however this principle immediately discourages this potential increased level of accuracy.</p> <p>Other principles also raise similar concerns and we believe that a thorough review of the principles needs to take place before parties can be confident that proposal 216 is acceptable.</p> <p>The Group also noted that the Ofgem Codes Review is currently ongoing, and confirmed that P216 has been assessed against the current Codes baseline. Given the concerns expressed in Ofgem's recently announced codes governance review and their apparent desire for more rigorous analysis in support of changes and the panel split vote, we feel it may be helpful if the matter was not submitted to them at this time and instead was considered further, perhaps through the ISMG.</p> <p>There is potential that some recommendations that come out of the codes review, may be contrary to the current 216 proposal.</p>

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## P216 REPORT PHASE CONSULTATION QUESTIONS

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

<b>Q</b>	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made? Please give rationale.	No	<p>We consider that the Proposed Modification should be made, in preference to the alternative proposal.</p> <p>We agree that the methodologies used to determine LLFs should be published and should be audited against agreed principles set out in the BSC. This would create transparency and would encourage accurate determination of LLFs, thereby facilitating accurate customer pricing and giving more accurate allocation of settlement volumes and costs to parties, thus promoting competition.</p> <p>We note that although the Panel believes both the 'original' proposal and the alternative better meet the BSC objectives, its provisional recommendation is to reject the 'original' proposal.</p>

Q	Question	Response	Rationale
			<p>However, we are of the opinion that retrospective and mid-year changes create uncertainty for participants and customers which outweighs the marginal benefit of increased accuracy arising from such changes. Effectively, we think a majority of trading participants are probably willing to forego this additional accuracy in favour of reduced uncertainty over the period of a year. Reduced uncertainty may be of particular interest to new market participants.</p> <p>Therefore we prefer the 'original' proposal to the alternative.</p>
2.	<p>Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made? Please give rationale.</p>	No	<p>We consider that the Proposed Modification is preferable to the alternative proposal.</p> <p>Reasons are given in our response to question 1. In addition, we note that:</p> <ul style="list-style-type: none"> <li>the Panel provisionally prefers an option (the alternative) which was not the preference of any of the modification group members. Section 4.4 of the draft Modification Report indicates that: <ul style="list-style-type: none"> <li>all those members of the modification group who preferred the alternative to the proposal did not believe it or the proposal met the BSC Objectives better than the current baseline.</li> <li>An equal number of members who supported the proposal all believed it met the BSC Objectives better than the alternative.</li> </ul> </li> </ul> <p>We note that the proposer specifically proposed that 'the Code should state that LLFs may not be changed mid-year.', whereas the alternative explicitly allows such changes.</p> <p>We note that under the alternative proposal, LLFs revised mid-year would not be subject to the same audit checks as those determined in advance of the year (Modification report section 1.2 p11).</p>
3.	Do you agree with the Panel's provisional	Yes	

Q	Question	Response	Rationale
	recommendation concerning the Implementation Date for P216? Please give rationale.		
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.	Yes/No	We would have preferred to see the LLF Methodology Principles set out in the BSC itself rather than in a Code Subsidiary Document.
5.	Are there any further comments on P216 that you wish to make?	Yes	<p>The original proposal specifically proposed that 'the Code should state that LLFs may not be changed mid-year.', whereas the alternative explicitly allows such changes. It is unusual for a proposal to be worked up by a modification group in a way which so clearly contradicts the intention of the proposer, and for the Panel to recommend such an alternative. A subtly different drafting of the proposal might have ruled out the alternative.</p> <p>The recommended principle that no more than three decimal places should be used is unnecessarily restrictive, particularly for large sites where the 4<sup>th</sup> decimal place can have a significant material effect.</p> <p>The flexibility given to the Panel to set default values of LLF in accordance with BSCP128 (legal text 1.7.13) should recognize:</p> <ul style="list-style-type: none"> <li>• (a) the offset of working and non-working days from year to year, and</li> <li>• (b) the desirability of allowing values believed to be more accurate to be used.</li> </ul> <p>Note that a recommendation by the Panel to reject the proposal would if followed by the Authority disenfranchise parties from the possibility of appeal, despite the fact that the Panel was unanimous in believing it would meet BSC objectives better than the current baseline. This seems an odd situation.</p> <p>Note that the suggested LLF Methodology Principles use some terms which may need to be defined (eg. day/night, technical/non-technical). Inclusion of the principles within the Code itself would give added transparency.</p>

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Respondent:	Jacqueline McGuire
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	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 <sup>1</sup>)</i> Supplier / Generator / Trader / Consolidator / Exemptible Generator / Distributor
Does this response contain confidential information?	<i>Please state clearly which information is confidential.</i> No

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made?	Yes	For the reasons detailed in its response to Q.2, below, ScottishPower does not believe that Proposed Modification P216 would facilitate achievement of the relevant BSC Objectives. In particular, with regard to Objective C, the potential materiality of any error associated with inaccurate Line Loss Factors has not

<sup>1</sup> Delete as appropriate – please do not use strikeout, this is to make it easier to analyse the responses

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Q	Question	Response <sup>1</sup>	Rationale
	Please give rationale.		been proven and with regard to Objective D, it is actually more likely that the administration of the arrangements would be rendered less efficient through the implementation of these proposals.
2.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made? Please give rationale.	<b>No</b>	<p>ScottishPower does not believe that the benefits of the Alternative Modification have been sufficiently demonstrated in comparison with either the current or proposed baselines.</p> <p>It is also concerning that there appears to be no clear support for either the Proposed or Alternative Modification among the members of the Modification Group. ScottishPower, therefore, believes that more work may be required by the Group - both to fully explore the technical impact of these proposals on the DNO and to more fully explore the perceived benefits expected from them - before the debate can be considered suitably informed.</p> <p>In response to the Impact Assessment, DNOs clearly indicated market costs to implement and operate these proposals in the region of £1.5m and £0.5m respectively. However, during the same consultation, not only did no Supplier indicate the level of benefit they anticipated from P216, none identified any costs arising from the 'defect' it purports to address. Without visibility of this level of detail from Suppliers, the argument in favour of implementing P216 could be considered specious.</p> <p>The Assessment Report clearly indicates that the 'principles' were developed by the majority view of the Supplier representatives present, rather than as a result of genuine consensus or informed knowledge from experts in the field. Given the above, ScottishPower is concerned that the 'Principles' might have been predicated on supposition rather than fact, and while it agrees that they may represent a good starting point, it believes they require greater input from those with a more detailed technical knowledge before they can be considered fit for purpose.</p>



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Q	Question	Response <sup>1</sup>	Rationale
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P216? Please give rationale.	<b>No</b>	It will not be possible to recalculate all the LLFs for SVA EHV sites by year 1 and this must be taken in to consideration with regard to the proposed implementation schedules.
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.	<b>No</b>	In the absence of a draft of the new BSCP128, ScottishPower is unable to provide an informed response to either the proposed or alternative legal text at this time.
5.	Are there any further comments on P216 that you wish to make?	<b>Yes</b>	<p>The impact on ScottishPower would mostly relate to its business processes. However, this could represent a significant annual cost increase, depending on the final implementation. These additional costs would arise from re-calculating all SVA EHV LLFs.</p> <p>With respect to 'Principle 6' – 'Generic LLFCs for Import and Export at the same site where the voltage level is the same shall have the same values'. SP believe that, besides the principle being flawed and unjustified (perhaps as a result of drafting the principles "by consensus" and not by expertise) this might also conflict with CP1189 'Change to allow SVA Line Loss Factors less than one', which was implemented in November 2007.</p> <p>SP however believes that in general, the high level principles developed by the Working Group provide a good starting point for a more in-depth common methodology development from LDSOs, perhaps under the framework of the Distribution Charging Methodology Forum (DCMF), which is attended by LDSOs, suppliers and generators.</p>

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<b>Respondent:</b>	<i>Name Nigel Lloyd</i>
<b>Company Name:</b>	Western Power Distribution
<b>No. of BSC Parties Represented</b>	2
<b>Parties Represented</b>	WPD (S Wales) plc and WPD (S West) plc
<b>No. of Non BSC Parties Represented</b>	
<b>Non Parties represented</b>	<i>Please list all non Parties responding on behalf of (including the respondent company if relevant).</i>
<b>Role of Respondent</b>	Distributor
<b>Does this response contain confidential information?</b>	<i>No</i>

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made? Please give rationale.	Yes	See comments on the alternate proposal which has minimal difference from a DSO perspective to the proposed modification

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Q	Question	Response <sup>1</sup>	Rationale
2.	<p>Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made?</p> <p>Please give rationale.</p>	No	<p>The proposed modification proposals places additional burdens on DSO's without realising any improvement to competition above the levels that are currently delivered.</p> <p>Throughout the discussions on the introduction on P216 the problems with the actual line loss factors were anecdotal. Although the point was made that there may be differences between suppliers in different sectors of the market within sector all operate on an equal footing. WPD believes that the analysis is at best inconclusive and any problems of distortion between market participants are likely to be far less than the inaccuracy of profiles for example.</p> <p>The additional work that will be required by some to revise site specific line loss factors will be significant and will introduce additional uncertainty that will not aid competition.</p> <p>The principles do not achieve any benefit other than to state what the DSO's currently do. As stated in the report DSO's have no incentive to produce inaccurate line loss factors and look to use a fair allocation process. Principle 6 distorts competition by forcing the use of incorrect line loss factors. Groups of generators or genitors in specific locations can have an adverse impact on system losses and it is not possible to recognise this. This situation is recognised in the PES Licence and this principle prevents DSO's from receiving the appropriate compensation as allowed in the Licence.</p> <p>No gain is to be made in improving the overall value of losses implied by the calculated line loss factors.</p> <p>The audit requirements will put an additional burden on DSO's both financial and in terms of resource requirements. Additionally they will make the process more protracted and could be detrimental to competition.</p>

## P216 REPORT PHASE CONSULTATION

Q	Question	Response <sup>1</sup>	Rationale
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P216? Please give rationale.	Yes	Should the modification be agreed the implementation date would be acceptable.
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.		
5.	Are there any further comments on P216 that you wish to make?	Yes / No	

## P216 REPORT PHASE 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.

<b>Respondent:</b>	Lisa Waters
<b>Company Name:</b>	Waters Wye Associates
<b>No. of BSC Parties Represented</b>	none
<b>Parties Represented</b>	
<b>No. of Non BSC Parties Represented</b>	1
<b>Non Parties represented</b>	
<b>Role of Respondent</b>	Industry expert
<b>Does this response contain confidential information?</b>	<i>Please state clearly which information is confidential.</i>

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made? Please give rationale.	No	I agree with the Panel that the alternative is the better modification, but the original would still be an improvement over the baseline.
2.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made? Please give rationale.	Yes	The modification would better fulfil the applicable objectives.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P216? Please give rationale.	Yes	It is unfortunate that we have to aim for 2009 when this has been an ongoing problem for so long. However, given a decision may take sometime this appears realistic.

# P216 REPORT PHASE CONSULTATION

Q	Question	Response <sup>1</sup>	Rationale
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.	Yes	
5.	Are there any further comments on P216 that you wish to make?	Yes	<p>As a member of ISG, who take on the Panel's role of approving LLFs, I believe that it is vital that this modification is made. At the current time ISG can simply check that the LLF given is a number fit for use in settlement – ie it is a number. This is detrimental to competition and results in costs to suppliers, and ultimately prices to customers, that are not reflective of actual LLF costs. ISG has raised this issue with both the Panel and Ofgem on numerous occasions.</p> <p>Those on the modification group who suggest that there is a level playing field in setting LLFs are simply stating that the DNOs all have the right to put no effort in. For suppliers and customers the transparency in having a set methodology resulting in correct charging will enhance competition.</p> <p>It is also clearly more efficient to have LLFs all calculated and applied on the basis of an agreed methodology. It may be unfortunate that we have had to go down a modification route to get to this point, but the DNOs have had opportunities to work on the basis of an agreed methodology and not pursued it. I have concerns over the cost to Elexon, but under the terms of the BSC we have little choice but to take control of the process. Another modification may look to charge DNOs for administering this arrangement.</p> <p>I believe the modification is better than the current baseline and helps meet BSC applicable objectives © and (d).</p>

## P216 REPORT PHASE 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.

<b>Respondent:</b>	<i>Vara Tadi</i>
<b>Company Name:</b>	Electricity North West Ltd
<b>No. of BSC Parties Represented</b>	one
<b>Parties Represented</b>	norwebd
<b>No. of Non BSC Parties Represented</b>	none
<b>Non Parties represented</b>	none
<b>Role of Respondent</b>	LDSO
<b>Does this response contain confidential information?</b>	<i>n/a</i>

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made? Please give rationale.	Yes /	
2.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made? Please give rationale.	Yes	The alternative proposal is preferred as it enables site specific LAFs to be updated during the year. This ensures that LAFs used in settlements are more accurate

## P216 REPORT PHASE CONSULTATION

Q	Question	Response <sup>1</sup>	Rationale
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P216? Please give rationale.	No	Due to the scale of changes involved in changing our processes we feel that the later implementation date of 19 April 2010 is more realistic.
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.	Yes	
5.	Are there any further comments on P216 that you wish to make?	Yes	<p>We are still of the view that both the above proposals will result in significant costs being incurred by DSOs with no visible benefit.</p> <p>We feel that both proposals should be rejected and instead an Issue Standing Modifications Group should be set up to agree a high level set of principles .</p> <p>There is clearly a need for increased transparency in the process and we feel that the formation of an Issues Standing Modification Group will provide this transparency. Existing Regulatory Audits are sufficient to protect customers interests.</p>

Please send your responses by **12:00 noon on Tuesday 4 March 2008** to [modification.consultations@elexon.co.uk](mailto:modification.consultations@elexon.co.uk) and please entitle your email '**P216 Report Phase Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Panel.

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](mailto:ysanne.hills@elexon.co.uk).



## P216 REPORT PHASE 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.

<b>Respondent:</b>	<i>Name Alex Pourcelot</i>
<b>Company Name:</b>	TMA
<b>No. of BSC Parties Represented</b>	0
<b>Parties Represented</b>	<i>Please list all BSC Party names of Parties responding on behalf of (including the respondent company if relevant).</i>
<b>No. of Non BSC Parties Represented</b>	3
<b>Non Parties represented</b>	<i>UDMS NHHDA, LBSL NHHDA, UDMS HHDC/HHDA</i>
<b>Role of Respondent</b>	NHHDA, HHDA, HHDC
<b>Does this response contain confidential information?</b>	<i>No.</i>

Q	Question	Response <sup>1</sup>	Rationale
1.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P216 <b>SHOULD NOT</b> be made? Please give rationale.	Yes	Please see below.
2.	Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P216 <b>SHOULD</b> be made? Please give rationale.	Yes	The conditions specified in the alternative modification proposal for a change to a Site Specific LLF out with the standard process, provide adequate assurance for LDSO and Suppliers.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P216? Please give rationale.	Yes	The earliest possible implementation of 20/04/2009 is preferred.

## P216 REPORT PHASE CONSULTATION

Q	Question	Response <sup>1</sup>	Rationale
4.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report delivers the solution for P216 Proposed and Alternative? Please give rationale.	Yes	
5.	Are there any further comments on P216 that you wish to make?	No	