

MODIFICATION REPORT for Modification Proposal P174

Provision for Users of an Interconnector with a Single Boundary Point connection to form a Trading Unit amongst themselves and with other BM Units at the same site

Prepared by: ELEXON on behalf of the Balancing and Settlement Code Panel (the 'Panel')

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This document has been distributed in accordance with Section F2.1.10¹ of the Balancing and Settlement Code.

RECOMMENDATIONS

Having considered and taken into due account the contents of draft P174 Modification Report, the Balancing and Settlement Code Panel recommends:

- **that Proposed Modification P174 should be made;**
- **the P174 Implementation Date of 29 June 2005 if an Authority decision is received on or before 2 March 2005, or 2 November 2005 if the Authority decision is received after 2 March 2005 but on or before 6 July 2005; and**
- **the proposed text for modifying the Code, as set out in the draft Modification Report.**

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¹ The current version of the Balancing and Settlement Code (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

The following parties/documents have been identified as being potentially impacted by Modification Proposal P174.

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

X = Identified in Report for last Procedure
 N = Newly identified in this Report

1 DESCRIPTION OF PROPOSED MODIFICATION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

1.1 Modification Proposal

Modification Proposal P174 'Provision for Users of an Interconnector with a single Boundary Point Connection to form a Trading Unit amongst themselves and with other BM Units at the same site' ('P174') (Reference 1) was raised by EDF Trading Ltd ('the Proposer') on 27 August 2004.

At present, Interconnector BM Units are prohibited from participating in multi-BM Unit Trading Units (Balancing and Settlement Code (the 'Code') paragraph K5.7.1). P174 proposes to remove this restriction for BM Units associated with an Interconnector with a single Boundary Point connection².

As a consequence of the net treatment of Trading Units, the opportunity to realise financial benefits exists through participation in multi-BM Unit Trading Units. Some charges (e.g. BSCCo Charges, Residual Cashflow Reallocation Cashflow (RCRC) payments and Balancing Services Use of System (BSUoS)) are levied on and some losses (e.g. transmission losses) are allocated to, the net energy metered against a Trading Unit.

According to the Proposer, P174, by providing Interconnector Users with the same commercial opportunity to participate in multi-BM Unit Trading Units that is afforded to other Trading Parties operating at the same site, would remove an "unnecessary and unfair potential financial burden" and "undue discrimination". In addition, P174 would facilitate trading between interconnected systems. As a consequence, the Proposer believes that P174 would better facilitate Applicable BSC Objective c):

'Promoting effective competition in the generation and supply of electricity, and (so far as is consistent therewith) promoting such competition in the sale and purchase of electricity'.

The P174 Initial Written Assessment (IWA, Reference 2) was presented at the Panel Meeting held on 9 September 2004, where the Panel determined that P174 should be submitted to a two-month Assessment Procedure conducted by the Settlement Standing Modification Group (SSMG), hereafter known as the 'Group'. The Panel directed that the Group should contain expertise in how Interconnector BM Units are used in practice, as well as an overview of the Code and its Modification Procedures.

The Group met twice during the Assessment Procedure and conducted industry consultation and BSCCo, BSC Party, BSC Agent and Transmission Company impact assessments. The Assessment Report (Annex 4) for P174 was considered by the Panel at its meeting on the 11 November 2004. At the meeting, the Panel supported the recommendations of the Group and submitted P174 to the Report Phase with a recommendation to the Authority that Proposed Modification P174 should be made. The Panel agreed that a draft Modification Report based on its provisional views should be issued for industry consultation.

The draft Modification Report, containing the provisional recommendations of the Panel, the legal drafting to give effect to P174, the proposed Implementation Dates and estimated development and implementation costs, was issued for consultation on 16 November 2004 with responses due by 24 November 2004.

At its meeting on 9 December 2004, the Panel, on consideration of the draft Modification Report and consultation responses, confirmed its provisional recommendation that Proposed Modification P174

² A Boundary Point connects Apparatus not forming part of the Total System, to the Total System. Examples of these Apparatus include the Anglo-French and Moyle Interconnectors.

should be made. This version of the P174 Modification Report reflects the discussions of the Panel at the meeting on 9 December 2004.

A similar Modification Proposal, P139, 'Removal of Trading Unit Restriction on Interconnector Users', was raised on 21 August 2003. P139 was rejected by the Authority as outlined in its decision letter (Reference 3).

1.2 Proposed Modification

The Proposed Modification developed by the Group would:

- Amend the current restriction (Section K 5.7.1 of the Code) preventing Interconnector BM Units from belonging to a Trading Unit other than a Sole Trading Unit, such that Interconnector BM Units would be able to form Trading Units with other Interconnector BM Units on the same single Boundary Point Interconnector, and with non-Interconnector BM Units linked by contiguous or Dedicated Assets;
- Introduce a new Class of Trading Unit (Annex K-2 of the Code) for Interconnector BM Units; and
- Ensure that the Production/Consumption (P/C) Status of Interconnector BM Units would not change by virtue of belonging to a Trading Unit.

1.3 Issues raised by the Proposed Modification

The following issues were considered during the Assessment of Proposed Modification P174:

- The Authority Decision on P139;
- 'Mixed' Trading Units – those comprising Interconnector and non-Interconnector BM Units;
- The Production/Consumption (P/C) Status of Interconnector BM Units in Trading Units;
- The criteria for forming Trading Units under P174;
- The compatibility of these Trading Units with EU legislation on cross-border transfers; and
- The benefits of forming Trading Units.

These issues are discussed in the Assessment Report (Annex 4) and are not covered further here.

1.4 Assessment of how the Proposed Modification will better facilitate the Applicable BSC Objectives

For the purposes of this section, where reference is made to the "majority" of the Group, it must be noted that this was a slim majority. On the basis of the foregoing, the majority of the Group has concluded that P174 would better facilitate achievement of Applicable BSC Objective c) as follows:

- Enabling Interconnector BM Units to participate in multi-BM Unit Trading Units would remove the current discrimination against Interconnector Users by affording them the same trading opportunities as other Parties. In particular, they would be afforded the opportunity to realise the potentially material benefits in terms of transmission losses that participation in multi-BM Unit Trading Units can provide;
- Creating a new Class of Trading Unit would make transparent the criteria for forming the Trading Units proposed under P174 and thus facilitate effective Panel decision-making; and
- Retaining the fixed P/C Status for an Interconnector, regardless of the status of the Trading Unit to which it may belong, would:

- Not hamper superposition³;
- Retain transparency of Imports and Exports thus facilitating administration; and
- Avoid introducing an unnecessary risk.

The view of the majority of the Group was that P174 would therefore better facilitate Applicable BSC Objective c):

"Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity;"

The minority against P174 noted that the consequential benefits of a Modification should not be greater in materiality than its permitted scope. Given that BSUoS benefits would be the greatest materiality derived from P174, it was noted that the issue should be raised outside of the BSC – in this particular case within the Statement of the Use of System Charging Methodology (Reference 4). This minority held the view that the benefits received under the BSC alone were not sufficient to better facilitate the achievement of Applicable BSC Objective c). One member held the view that the costs of implementing P174 outweighed the potential benefits it would introduce under the BSC.

Some members of the Group raised concerns as to the reasons for the initial restriction on Interconnector BM Units forming Trading Units. It was noted that no evidence of a rationale existed for the continued prohibition on Interconnector BM Units participating in multi-BM Trading Units. One member of the Group recalled that a possible original rationale might have been to avoid undermining superposition through a lack of transparency concerning the distinction between Imports and Exports; however the Group noted that the retention of a fixed P/C Status would ensure this was not an issue under P174.

Some members of the Group held the view that retaining the P/C Status of Interconnector BM Units would result in Interconnector Users being able to realise the benefits of participation within multi-BM Trading Units without assuming some of the associated risks e.g. a possible lack of benefits, hampered superposition and imbalance risks.

The view of the Group was that P174 would neither better facilitate nor hinder achievement of any of the other Applicable BSC Objectives.

On balance, it is the view of the majority of the Group that P174 would:

Remove a discriminating restriction on Interconnector BM Units, whilst retaining the basic concept of the Trading Unit and imposing minimal impact regarding Imports and Exports. Thus the achievement of Applicable BSC Objective c) would be better facilitated.

1.5 Alternative Modification

A potential Alternative Modification, whereby only Interconnector BM Units linked to an Interconnector with a single Boundary Point could join the new Trading Units, was consulted on. The majority of both the respondents to the consultation and the Group members believed that Proposed Modification P174 better facilitated the achievement of the Applicable BSC Objectives compared to this potential Alternative Modification. The rationale for this view was that the exclusion of non-Interconnector BM Units may be considered discriminatory. Therefore, this potential Alternative Modification was not progressed further.

³ Superposition, allowed to a limited extent on some Interconnector Agreements, is where deemed metered amounts in one direction may be offset by those in the opposite direction. Neither the individual amounts in a given direction nor the overall net deemed metered amount may exceed the capacity of the Interconnector.

1.6 Governance and regulatory framework assessment

During the assessment of the Proposed Modification, the Group considered the wider implications of P174 in the context of the statutory, regulatory and contractual framework within which the Code sits, as is required by the Code (Annex F-1, Paragraph 1 (g)). The only issue was that the greatest benefit under P174 would be reduced BSUoS charges (see Section 1.4 of this document); however, these charges lie under the governance of the Connection and Use of System Code (CUSC), and not the BSC.

2 COSTS⁴

PROGRESSING MODIFICATION PROPOSAL

Meeting Cost	£ 1,000
Legal/expert Cost	£ 0
Impact Assessment Cost	£ 2,000
ELEXON Resource	50 Man days £ 6,780

IMPLEMENTATION COSTS

		Stand Alone Cost	P174 Incremental Cost	Tolerance
Service Provider⁵ Cost	Change Specific Cost	£ 1,080	£ 1,080	+/- 0% (£ 0)
	Release Cost	£ 0		+/- 0% (£ 0)
	Incremental Release Cost	£ 0	£ 0	+/- 0% (£ 0)
	Total Service Provider Cost	£ 1,080	£ 1,080	+/- 0%
Implementation Cost	External Audit	£ 0	£ 0	+/- 0%
	Design Clarifications	£ 0	£ 0	+/- 0%
	Additional Resource Costs	£ 0	£ 0	+/- 0%

⁴ Clarification of the meanings of the cost terms in this section can be found in annex 7 of this report

⁵ BSC Agent and non-BSC Agent Service Provider and software Costs

	Additional Testing and Audit Support Costs	£ 0		+/- 0%
Total Demand Led Implementation Cost		£ 1,080	£ 1,080	+/- 0%

ELEXON Implementation Resource Cost		139.5 Man days £ 30,690	59.5 Man days £ 13,090	+/- 5%
Total Implementation Cost		£ 31,770	£ 14,170	+/- 5%

ONGOING SUPPORT AND MAINTENANCE COSTS

	Stand Alone Cost	P174 Incremental Cost	Tolerance
Service Provider Operation Cost	£ 0 per annum	£ 0 per annum	+/- 0%
Service Provider Maintenance Cost	£ 0 per annum	£ 0 per annum	+/- 0%
ELEXON Operational Cost	£ 1,800 per annum	£ 1,800 per annum	+/- 0%

3 RATIONALE FOR PANEL'S RECOMMENDATIONS

The Panel noted the Assessment Report and recommendations made by the Group, and agreed that Proposed Modification P174 should be made.

The Panel noted that the Group members were finely balanced on their support for P174. The majority of Panel Members supported the majority view of the Group that Proposed Modification P174 would better facilitate achievement of the Applicable BSC Objectives and should be made. It was the majority view of the Panel that Proposed Modification P174 would remove a discrimination against Interconnector BM Units connected to a single Boundary Point Interconnector, thus providing them with the opportunity of taking part in Trading Units and facilitating competition. It was also the majority view that the benefits of P174 outweighed the implementation costs. As such, Proposed Modification P174 would, overall, better facilitate achievement of the Applicable BSC Objectives – in particular Applicable BSC Objective c) – and should be made.

Contrary to the majority, one Panel Member held the view that Proposed Modification P174 would not better facilitate the achievement of the Applicable BSC Objectives and should not be made. This Panel Member stated that under P174, Interconnector BM Units in Trading Units would be reaping the rewards of Trading Units without accepting some of the risks – specifically in relation to the retention of P/C Status.

One Panel Member queried whether the Group had discovered a rationale for the original preclusion of Interconnector BM Units from Trading Units. BSCCo reported that it had been unable to find any

written evidence, however, one member of the Group held the view that it may relate to the transparency of Imports and Exports across Interconnectors. The Panel noted that as well as a lack of written evidence for the preclusion of Interconnector BM Units from Trading Units, no specific reasons for this preclusion were identified in the industry consultation for P174. The Panel also noted the requirement to consider the issues under P174 in the present context, regardless of the original rationale for preclusion.

One Panel Member queried whether a change to the Statement of the Use of System Charging Methodology (Reference 4) would have been more appropriate for P174, due to the main benefit being BSUoS charges which are not under the governance of the BSC. However, it was noted that the Proposer had previously attempted to raise the Proposal under the Statement of the Use of System Charging Methodology, but had been advised by the Transmission Company that the stated defect under P174 lay within the BSC.

On consideration of the draft Modification Report at the Panel meeting on 9 December 2004, it was confirmed that the majority view was that Proposed Modification P174 should be made. One member was against P174 for the same reasons as those given above. No new arguments were raised.

The Panel supported the proposed Implementation Dates recommended by the Group. Therefore, the Panel agreed that the recommended Implementation Date for Proposed Modification P174 should be:

- 29 June 2005, should the Authority determination be received on or before 2 March 2005; or
- Should an Authority determination be received after this date, but prior to 6 July 2005 then the Implementation Date should be 2 November 2005.

4 IMPACT ON BSC SYSTEMS AND PARTIES

An assessment has been undertaken in respect of BSC Systems and Parties and the following areas have been identified as potentially being impacted by the Proposed Modification.

4.1 BSC Panel

Were P174 to be implemented, there would be a small impact on the Panel which would be required to approve any application for Trading Units comprising Interconnector BM Units. NB: in practice the Panel delegates authority for Trading Unit approval to the Imbalance Settlement Group.

4.2 BSCCo

4.2.1 Service Delivery: Support registration of Interconnector Trading Units

The ELEXON Customer Services Management team may need to amend Local Working Instructions (LWIs) to reflect changed registration procedures for Trading Units. Appropriate mechanisms for both internal and external education of stakeholders regarding the new principles and practices introduced under P174 may also be necessary.

4.2.2 Change Delivery: Requirement to support implementation

The ELEXON CVA Programme would be required to manage and support the implementation of process and documentation changes necessary to give effect to P174. Code Subsidiary Documents would need to be updated and there would be associated industry review and walkthrough testing. The Business Process Model would need to be amended to reflect updated processes for registering a Trading Unit.

4.3 BSC Systems

A BSC Agent Impact Assessment of Proposed Modification P174 was commissioned by the Group – no impact on BSC Systems was identified. The results of the BSC Agent Impact Assessment are included in Annex 4. It should be noted that the Proposed Modification P174 is represented by Option 1. It should also be noted that following discussion between ELEXON and the BSC Agent, the requirement for testing included in the impact assessment has been removed. Thus the costs in Section 2 of this document have been stated without including the testing figure quoted in the Assessment Report (Annex 4).

4.4 Parties and Party Agents

4.4.1 Ability to form multiple BM Unit Interconnector Trading Units

P174 would provide those Interconnector Users associated with single Boundary Point Interconnectors with the opportunity to participate in multi-BM Trading Units.

The P/C Status of an Interconnector BM Unit electing to form part of a multiple BM Unit Trading Unit would not change according to the status of the Trading Unit as a whole. Therefore, P174 would not impact on the approach whereby a pair of Interconnector BM Units is used in order to separate Imports and Exports.

4.4.2 BSUoS Charging

Although this is outside the vires of the BSC, the BSUoS charging impact is included for completeness and transparency.

As noted in the Transmission Company analysis of P174, here, in accordance with Section 9.3 of the Statement of the Use of System Charging Methodology (Reference 4), BM Units that are registered in Trading Units are charged BSUoS charges on a net Trading Unit basis. If P174 were approved, this would apply to Interconnector BM Units. The Transmission Company's initial analysis of BSUoS charges from 2002/03 indicated that over an annual period, this could potentially reduce Interconnector BM Units' share of BSUoS charges by approximately £1M (as the charging base would be reduced), and this would be shared among all users.

4.4.3 Party Impact Assessments

These are included in full in Annex 6 to the Assessment Report (Annex 4).

Two Parties reported costs of £6k for system and process changes. The Group noted one Party's Impact Assessment which commented on the need for a new process or framework to administer the benefits and dis-benefits resulting from the new Trading Units under P174. This Party suggested that the Transmission Company would be an appropriate and impartial administrator. However, the Group agreed that this would be for the market to establish were such a need identified and not a matter for the Code. This was seen as being especially true given that the same issue exists for all Trading Units and not just the new ones proposed under P174.

5 IMPACT ON CODE AND DOCUMENTATION

5.1 Balancing and Settlement Code

The proposed legal text may be found in Annex 1.

5.1.1 Section K: Classification and Registration of BM Units

The restriction on Interconnector BM Units forming non-Sole Trading Units would need to be amended.

5.1.2 Annex K-2

A new Class of Trading Unit would need to be introduced.

5.2 Code Subsidiary Documents

Amendments would be required to BSCP31, 'Registration of Trading Units', in order to reference the new Trading Units and the criteria for their creation. New forms would be necessary as information required for the application may differ to that required for the current Trading Unit Classes. The CRA Service Description would also require amendment.

5.3 Impact on Core Industry Documents and supporting arrangements

An assessment of the potential impact on Core Industry Documents was conducted and no impact was identified. Potential interactions with the Use of Interconnector Agreement and the Statement of the Use of System Charging Methodology (Reference 4) were identified during initial assessment of P174. Further assessment of the potential impact on these documents did not identify a requirement for amendment.

6 SUMMARY OF CONSULTATIONS

Consultation question	Respondent agrees	Respondent disagrees	No opinion expressed
Do you agree with the Panel's views on P174 and the provisional recommendation to the Authority contained in the draft Modification Report that P174 should be made?	3	2	1
Do you agree with the Panel's view that the draft legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?	4	0	2
Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P174?	5	0	1

6.1 Panel's Provisional Recommendation

By a slim majority, the respondents were in support of the Panel's provisional recommendation that Proposed Modification P174 should be made. No new arguments were raised by the respondents.

Arguments expressed in support of the Proposed Modification

The respondents (3 respondents representing 13 Parties) stated that the current rules are discriminatory against Interconnector BM Units and that P174, if implemented, would remove the restriction on Interconnector BM Units forming non-Sole Trading Units and thus allow them to be treated in the same way as other BM Units. P174 would also encourage trade across the Interconnector. As such, Proposed Modification P174 would better facilitate the achievement of Applicable BSC Objective c).

Arguments expressed not in support of the Proposed Modification

The respondents (2 respondents representing 16 Parties) stated that the benefits realised under P174 i.e. reduced BSCCo Charges and transmission losses, were secondary when compared to the BSUoS savings which would be realised. One respondent stated that the BSC is not the appropriate legislation to deliver BSUoS benefits, and as such, it would be inappropriate to realise a substantial material benefit through one piece of legislation in the name of a negligible benefit under another. Furthermore, this respondent stated that the consequential changes of a modification should not be greater in materiality than its permitted scope, as this would damage confidence in the robustness of the arrangements and also reduces transparency. This respondent also stated that the benefits of P174 would not outweigh its implementation costs. As such, these respondents did not believe that Proposed Modification would better facilitate the achievement of Applicable BSC Objective c).

6.2 Legal Text

Those respondents who expressed an opinion (4 respondents, 28 Parties) unanimously agreed that the legal drafting for P174 addresses the issue identified in the Modification Proposal.

6.3 Recommended Implementation Date

Those respondents who expressed an opinion (5 respondents, 29 Parties) unanimously supported the recommended Implementation Dates for Proposed Modification P174. Two respondents stated further that P174 reflected a relatively minor change, and as such should only be implemented as part of a scheduled release in order to avoid undue costs.

6.4 Comments and views of the Panel

The Panel noted and considered the responses received to the consultation on the draft Modification Report. It was confirmed that the majority view of the Panel was that Proposed Modification P174 should be made. One member was against P174 for the same reasons as given above. No new arguments were raised.

7 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

7.1 Analysis

The full Transmission Company analysis may be found in Annex 4 to the Assessment Report (Annex 4).

There was considered to be no impact on the ability of the Transmission Company to discharge its obligations efficiently under the Transmission Licence or on its ability to operate an efficient, economical and co-ordinated Transmission System due to P174. Also, there were considered to be no issues relating to security of supply or consequential changes to Core Industry Documents. Minimal costs were estimated to be incurred due to P174 with minimal impact on the computer systems and processes of the Transmission Company.

As mentioned in the Assessment Report, the Transmission Company expected BSUoS charges to be affected due to the charging base being reduced.

Overall, the Transmission Company believed that the Proposed Modification P174 would better facilitate the achievement of Applicable BSC Objective c) by removing the restriction on Interconnector BM Units from forming Trading Units.

7.2 Comments and views of the Panel

No comments were made by the Panel regarding the Transmission Company analysis.

8 IMPLEMENTATION APPROACH

This sets out in high-level terms a proposed project for the implementation of the changes required to:

- Amend the current restriction in the Code;
- Introduce a new Class of Trading Unit; and
- Ensure the P/C Status of Interconnector BM Units would not change by virtue of belonging to a Trading Unit.

The BSC Agent has provided costs and timescales for their documentation changes. On the basis of the estimates provided by the BSC Agent, these changes should take approximately 4 weeks, at a total cost of £ 1,080 +/- 0%. There would be no maintenance costs.

BSCCo has provided costs and timescales for its documentation changes and Business Process Model updates. On the basis of the estimates provided by BSCCo, these changes should take approximately 60/140 Man Days for an incremental/stand-alone release and at a total cost of £ 14,170 and £ 31,770 respectively. There would be an additional BSCCo maintenance effort of 6 Man Days per year equating to £ 1,800.

In accordance with responses to the impact assessment, the Group agreed that the Implementation Date for Proposed Modification P174 should allow a 17 week lead time following an Authority decision in order to progress the document and process changes through the industry review and approval process. Furthermore, the Group agreed that the recommended Implementation Dates should be consistent with the BSC Systems Release Strategy.

If approved, P174 will be implemented on a Settlement Day basis. That is, the P174 arrangements would only apply to Settlement Days post the Implementation Date, and new Trading Units would not affect Settlement Runs for those days prior to the Implementation Date.

BSCCo will be responsible for managing implementation of P174.

9 DOCUMENT CONTROL

9.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	15/11/04	Change Delivery	Change Delivery	Technical Review
0.2	15/11/04	Change Delivery	Change Delivery	Technical Review
0.3	16/11/04	Change Delivery	Change Delivery	For Consultation
0.4	24/11/04	Change Delivery	Change Delivery	Technical Review
0.5	25/11/04	Change Delivery	Change Delivery	Quality Review
0.6	26/11/04	Change Delivery	Panel	For Panel Review and Approval
0.7	09/12/04	Change Delivery	Change Delivery	Technical Review
1.0	10/12/04	Change Delivery	Authority	Authority Decision

9.2 References

Ref	Document	Owner	Issue date	Version
1	Modification Proposal P174 http://www.elexon.co.uk/documents/modifications/174/P174.pdf	-	27/09/04	1.0

2	Initial Written Assessment for Modification Proposal P174 http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2004_-_082_-_Papers/82_008a.pdf	BSCCo	03/09/04	1.0
3	P139 Authority Decision Letter http://www.elexon.co.uk/documents/modifications/139/P139_Ofgem_Decision.pdf	Authority	20/07/04	N/A
4	Statement of the Use of System Charging Methodology http://www.nationalgrid.com/uk/indinfo/charging/pdfs/UoSCM_Apr_02.pdf	Transmission Company	01/04/02	2.0

ANNEX 1 LEGAL TEXT

For the legal text to give effect to Proposed Modification P174, see Attachment 1

ANNEX 2 MODIFICATION GROUP DETAILS

NAME	POSITION	MEMBER	MEETING ATTENDANCE	
			15/09/2004	13/10/2004
Roger Salomone	Chairman	Y	Y	Y
David White	Lead Analyst	Y	Y	N
Steve Drummond	Proposer's Rep.	Y	N	Y
Man Kwong Liu	SAIC	Y	Y	N
Mark Manley	BGT	Y	Y	Y
Steve Moore	EDF Energy	Y	Y	Y
Neil Smith	E.ON UK PLC	Y	Y	Y
Liz Chester	Authority	N	Y	Y
Dave Hunt	Authority	N	Y	N
John Grey	EDF Trading	N	Y	N
Mark Pearce	Transmission Co.	N	Y	Y
Mark Thomas	RWE Trading	N	Y	Y
Thomas Bowcutt	Internal advice (BSCCo)	N	Y	Y
Melanie Henry	Internal legal advice (BSCCo)	N	Y	Y

Terms of Reference:

- Authority Determination on P139;
- 'Mixed' Trading Units;
- P/C Status of Interconnector BM Units participating in multi-Party Trading Units;
- Criteria for proposed Trading Units;
- Compatibility with EU Legislation on Cross-border Transfers; and
- Benefits of forming Trading Units.

ANNEX 3 DRAFT MODIFICATION CONSULTATION RESPONSES

For the responses to the Report Phase consultation on Proposed Modification P174, see Attachment 2.

ANNEX 4 ASSESSMENT REPORT



For the Assessment Report, see Attachment 3.

ANNEX 5 CLARIFICATION OF COSTS

There are several different types of costs relating to the implementation of Modification Proposals. ELEXON implements the majority of Approved Modifications under its CVA or SVA Release Programmes. These Programmes incur a base overhead which is broadly stable whatever the content of the Release. On top of this each Approved Modification incurs an incremental implementation cost. The table of estimated costs of implementing the Proposed/Alternative Modification given in section 2 of this report has three columns:

- **Stand Alone Cost** – the cost of delivering the Modification as a stand alone project outside of a CVA or SVA Release, or the cost of a CVA or SVA Release with no other changes included in the Release scope. This is the estimated maximum cost that could be attributed to any one Modification implementation.
- **Incremental Cost** - the cost of adding that Modification Proposal to the scope of an existing release. This cost would also represent the potential saving if the Modification Proposal was to be removed from the scope of a release before development had started.
- **Tolerance** – the predicted limits of how certain the cost estimates included in the template are. The tolerance will be dependent on the complexity and certainty of the solution and the time allowed for the provision of an impact assessment by the Service Provider(s).

The cost breakdowns are shown below:

PROGRESSING MODIFICATION PROPOSAL	
Meeting Cost	This is the cost associated with holding Modification Group meetings and is based on an estimate of the travel expenses claimed by Modification Group members.
Legal/expert Cost	This is the cost associated with obtaining external expert advice, usually legal advice.
Impact Assessment Cost	Service Provider Impact Assessments are covered by a pre-determined monthly contractual charge. Therefore the cost included in this report is an estimate based on the level of impact assessment that the modification is expected to require and may not reflect the actual cost attributed to the modification, which will be based on a percentage of the contractual impact assessment costs for each month that it is assessed.
ELEXON Resource	This is the ELEXON Resource requirement to progress the Modification Proposal through the Modification Procedures. This is estimated using a standard formula based on the length of the Modification Procedure.

SERVICE PROVIDER⁶ COSTS	
Change Specific Cost	Cost of the Service Provider(s) Systems development and other activities relating specifically to the Modification Proposal.
Release Cost	Fixed cost associated with the development of the Service Provider(s) Systems as part of a release. This cost encompasses all the activities that would be undertaken regardless of the number or complexity of changes in the scope of a release. These activities include Project Management, the production of testing and deployment specifications and reports and various other standard release activities.
Incremental Release Cost	Additional costs on top of base Release Costs for delivering the specific Modification Proposal. For instance, the production of a Test Strategy and Test Report requires a certain amount of effort regardless of the number of changes to be tested, but the addition of a specific Modification Proposal may increase the scope of the Test Strategy and Test Report and hence incur additional costs.

IMPLEMENTATION COSTS	
External Audit	Allowance for the cost of external audit of the delivery of the release. For CVA BSC Systems Releases this is typically estimated as 10% of the total Service Provider Costs, with a tolerance of +/- 20%. At present the SVA Programme does not use an external auditor, so there is no External Audit cost associated with an SVA BSC Systems Release.
Design Clarifications	Allowance to cover the potential cost of making any amendments to the proposed solution to clarify any ambiguities identified during implementation. This is typically estimated as 5% of the total Service Provider Costs, with a tolerance of +/- 100%.
Additional Resource Costs	<p>Any short-term resource requirements in addition to the ELEXON resource available. For CVA BSC Systems Releases, this is typically only necessary if the proposed solution for a Modification Proposal would require more extensive testing than normal, procurements or 'in-house' development.</p> <p>For SVA BSC Systems Releases, this will include the management and operation of the Acceptance Testing and the associated testing environment.</p> <p>This cost relates solely to the short-term employment of contract staff to assist in the implementation of the release.</p>
Additional Testing and Audit Support Costs	Allowance for external assistance from the Service Provider(s) with testing, test environment and audit activities. Includes such activities as the creation of test environments and the operation of the Participant Test Service (PTS). For CVA BSC Systems Releases, this is typically estimated as £40k per release with at tolerance of +/-25%. For SVA BSC Systems

⁶ A Service Provider can be a BSC Agent or a non-BSC Agent, which provides a service or software as part of the BSC and BSC Agent Systems. The Service Provider cost will be the sum of the costs for all Service Providers who are impacted by the release.

	Releases this is estimated on a Modification Proposal basis.
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TOTAL DEMAND LED IMPLEMENTATION COSTS

This is calculated as the sum of the total Service Provider(s) Cost and the total Implementation Cost. The tolerance associated with the Total Demand Led Implementation Cost is calculated as the weighted average of the individual Service Provider(s) Costs and Implementation Costs tolerances. This tolerance will be rounded to the nearest 5%.

ELEXON IMPLEMENTATION RESOURCE COSTS

Cost quoted in man days multiplied by project average daily rate, which represents the resources utilised by ELEXON in supporting the implementation of the release. This cost is typically funded from the "ELEXON Operational" budget using existing staff, but there may be instances where the total resources required to deliver a release exceeds the level of available ELEXON resources, in which case additional Demand Led Resources will be required.

The ELEXON Implementation Resource Cost will typically have a tolerance of +/- 5% associated with it.

ONGOING SUPPORT AND MAINTENANCE COSTS

ELEXON Operational Cost	Cost, in man days per annum multiplied by project average daily rate, of operating the revised systems and processes post implementation.
Service Provider Operation Cost	Cost in £ per annum payable to the Service Provider(s) to cover staffing requirements, software or hardware licensing fees, communications charges or any hardware storage fees associated with the ongoing operation of the revised systems and processes.
Service Provider Maintenance Cost	Cost quoted in £ per annum payable to the Service Provider(s) to cover the maintenance of the amended BSC Systems.