

Responses from P157 Assessment Report Consultation

Consultation Issued 17 September 2004.

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	Central Networks	P157_AR_001	1	0
2.	E.ON Uk	P157_AR_002	15	0
3.	Npower	P157_AR_003	10	0
4.	Scottish and Southern	P157_AR_004	7	0
5.	Total Gas and Power	P157_AR_005	1	0
6.	British Energy	P157_AR_006	4	0
7.	EDF	P157_AR_007	9	0
8.	British Gas	P157_AR_008	3	0
9.	Scottish Power	P157_AR_009	6	0
10.	Energy Watch	P157_AR_010	0	1

P157_AR_001.txt

Good afternoon,

Central Networks would like to return a response of 'No Comment' for P157 Assessment Consultation.

Thank you

Julie Turner

Deregulation Control Group

P157 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.

Following BETTA Go-Active on 1 September 2004 this consultation document is being issue to allow participants to consider P157 on a GB basis. The purpose of this consultation is for participants to consider P157 on a GB basis as well as for new Scottish participants to consider this consultation and related documents against the Applicable BSC Objectives.

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Respondent:	Afroze Miah
No. of Parties Represented	E.ON UK plc, Powergen Retail Limited, Cottam Development Centre Limited, E.ON UK Drakelow Limited, E.ON UK Ironbridge Limited, E.ON UK High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, TXU Europe (AHST) Limited, TXU Europe (AHGD) Limited, Powergen Retail Gas (Eastern) Limited and Enizade Limited
Parties Represented	15
Role of Respondent	Supplier/Generator

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	A Qualified, Yes	Now that the Proposed Modification is recommending retention of the existing re-distribution method we feel more comfortable with P157. However, we still have <u>concerns</u> about some elements of the calculation of GPOL (namely, the unconvincing inclusion of central incremental costs and in house costs for bad data).

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
2.	Do you believe Alternative Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	We believe the inclusion of re-distribution based on Average Performance on SP08a is wrong and will cause problems if the Alternative Modification is implemented. These problems have already been elucidated during the assessment phase of P157. Also the costs for implementing Re-distribution based on Average Performance are also a significant negative aspect of the Alternative Modification. This makes the Proposed Modification all the more attractive.
3.	Does P157 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	
4.	Are there any further comments on P157 that you wish to make?	Yes	It is interesting to note the significant difference in the implementation costs between the Proposed and Alternative Modifications (£112k). The reason for such a variance is obviously the costs that the Alternative Modification has included within it re-distribution based on Average Performance on SP08a and for reporting with Average Performance. Is it really worth spending this extra amount for these elements of the Alternative Modification. I would suggest not.

Parties are encouraged to provide financial information with regards 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 **17:00 on Friday 17 September 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P157 **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 Dena Harris on 020 7380 4364, email address Dena.Harris@elexon.co.uk.

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Respondent:	<i>John Stewart</i>
No. of Parties Represented	<i>10</i>
Parties Represented	RWE Trading Gmbh, RWE Npower plc, Npower Co-gen Ltd, Npower Co-gen Trading Ltd, Npower Direct Ltd, Npower Ltd, Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply.
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	<i>Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
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Q	Question	Response Error! Bookmark not defined.	Rationale
1.	<p>Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	No	<p>We do not believe that the proposed Modification better facilitates the Applicable BSC Objectives. In our opinion the proposals do not meet Applicable BSC objective C (promoting competition) or D (promoting efficiency).</p> <p>The proposals deter competition as we consider the charges set are not in line with a Genuine Pre Estimate of Loss. The modification process has not established a clear and robust relationship between the percentage of estimated data and either the accuracy or impact on other Suppliers/Parties. The proposed level of charges could vary significantly depending on the estimation methods used. The HH rate is almost certainly too high, and the NHH figure is probably too low.</p> <p>The HH charges may well increase risk in that market and may well be seen as discriminatory.</p> <p>The benefits of the Modification to the industry and customers have not been quantified and may be outweighed by the costs to BSC Parties.</p> <p>The present arrangements for Supplier Charges are flawed, yet the proposals put forward are more complicated and exacerbate the situation that they propose to remedy. The proposals will not result in any increases in efficiency or competition and therefore do not better meet the applicable objectives.</p>

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
2.	Do you believe Alternative Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	This 'Alternative' proposal combines the flawed GPOL principles of the Proposal with a redistribution method that is less equitable and further away from the principle of Liquidated Damages. The proposals represent a shift away from charges being related to the principle of Genuine Pre Estimate of Loss and the use of Liquidated Damages to a system of fines and incentives. Again, in our opinion, this Alternative Proposal does not better meet Applicable BSC objective C or D.
3.	Does P157 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	
4.	Are there any further comments on P157 that you wish to make?	No	

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Respondent:	<i>Scottish and Southern Energy</i>
No. of Parties Represented	
Parties Represented	<i>Scottish and Southern Energy, Southern Electric Power Distribution plc, Keadby Generation Ltd., Medway Power Ltd., SSE Energy Supply Ltd., SSE Generation Ltd., and Scottish Hydro-Electric Power Distribution Ltd.</i>
No. of Non Parties Represented	
Non Parties represented	<i>None</i>
Role of Respondent	<i>(Supplier / Generator / Party Agent / Distributor – please state¹)</i>

Q	Question	Response¹	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	For the reasons stated in the 3 rd Consultation Document
2.	Do you believe Alternative Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	For the reasons stated in the 3 rd Consultation Document

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

Q	Question	Response ¹	Rationale
3.	Does P157 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	At present there are no Supplier Charges in Scotland, and the serials are based on iPARMS. BETTA will introduce the "P99"" Serials and Supplier charges in Scotland on 1 April 2005, presumably in respect of settlement days on or after 1 April 2005. Any implementation of P157 will follow on relatively soon after that, and certainly before the SP08a figures will have been determined. The implementation dates and methodologies need to be re- examined in this light.
4.	Are there any further comments on P157 that you wish to make?	No	

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Respondent:	<i>Total Gas and power Ltd</i>
No. of Parties Represented	<i>1</i>
Parties Represented	<i>Total Gas and Power Ltd</i>
No. of Non Parties Represented	<i>0</i>
Non Parties represented	
Role of Respondent	<i>Supplier</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
2.	Do you believe Alternative Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	Generally do not support the proposal to penalise for non-compliance on the grounds that suppliers (particularly small suppliers) have very little influence over the performance of agents despite contractual arrangements. In event that the proposal is to be accepted then the alternate proposal appears to be more advantageous. The alternate modifications will reward those suppliers that have achieved or exceed the target standard. Therefore, this alternate modification would better facilitate the achievement of the BSC objective.
3.	Does P157 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	
4.	Are there any further comments on P157 that you wish to make?	No	Caps should applied to any charging mechanism.

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Respondent:	<i>Martin Mate</i>
No. of Parties Represented	<i>4</i>
Parties Represented	<i>British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd</i>
No. of Non Parties Represented	<i>-</i>
Non Parties represented	<i>-</i>
Role of Respondent	<i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent</i>

Q	Question	Response	Rationale
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Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	<p>1. Quoting the assessment consultation: 'The latest BSC Audit has been qualified and it is the Proposer's view that a major contributory factor to this was the level of poor data quality in Supplier Volume Allocation especially within the Non Half Hourly (NHH) sector. Supplier Charges are intended to be a corrective technique but the recent work of the VASG on Issue 6 has raised serious concerns over the appropriateness of the current rules and their effectiveness as a corrective technique.' The proposed modifications developed by the Modification Group considerably reduce the incentive on Non Half Hourly suppliers to improve data quality by procuring actual data and therefore do not resolve the defect referred to by the proposer.</p> <p>2. The assumptions used in the determination of Genuine Pre-Estimate of Loss are not valid and lead to gross errors in the amounts determined:</p> <ul style="list-style-type: none"> a. (SP08) 'The change in overall volume between SF and RF [of a supplier in a GSP Group] is caused by replacing estimates with actuals'. This is not the case, as changes may be due to replacement of erroneous actual or estimated data by more accurate estimated data, and can give reductions in values as well as increases. Changes are also caused by inclusion or removal of data due to registration errors, charges for which were explicitly removed by modification proposal P99 (though reasons were unclear). b. (SP08) 'The change in the overall volume therefore gives a measure of how much inaccuracy was in the estimates that have been replaced'. As in (a), the accuracy of later estimates can and often does exceed that of erroneous earlier actual or estimated data. c. (SP08) The level of inaccuracy in the estimates remaining at RF is comparable to that in the estimates replaced after SF. Data at the early stages of settlement contains higher levels of error, which are corrected by supplier processes such that the level of error remaining at RF is much less. d. (SP08) The applicable price for a corrective technique to recover amounts from suppliers due to underestimated demand data should be about the market price or similar. We see no justification for using the much lower average of the average difference between SBP and market price and the average difference between Market Price and SSP. e. (SP08) The total central cost associated with supplier charges and the performance framework associated with achieving supplier performance targets should be charged to those not performing satisfactorily and thus causing that work to be required. Instead, a price based on dividing some small incremental costs amongst all suppliers are suggested, for which we see no justification. <p>The precise methodology of the GPOL determination for SP08 has not yet been published, but we believe that other mathematical assumptions have been made which invalidate the results.</p> <p>A cap on SP08 charges would not be necessary if the GPOL was determined more accurately.</p>

Q	Question	Response	Rationale
2.	Do you believe Alternative Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	No. Reasons as above.
3.	Does P157 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 issues leading to audit qualification are not those specifically targeted by the existing Supplier Charges. A more flexible supplier charging regime would allow the central and other party costs of correction to be targeted on those responsible as the issues arise.
4.	Are there any further comments on P157 that you wish to make?	No	None at this time. We expect to provide further detail on why the assumptions in the Genuine Pre-Estimate of Loss calculation undertaken by the group completely undermine the results, for at least one supplier, as further data and analysis becomes available.

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Respondent:	Paul Chesterman
No. of Parties Represented	9
Parties Represented	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
No. of Non Parties Represented	0
Non Parties represented	N/A
Role of Respondent	Supplier/Generator/ Trader

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	It is had to see how this Proposal offers an improvement over the existing. We note that the charge for nHH Serial SP08a is reduced by a factor of around 10 and yet the Cap is significantly increased. We have objected strongly to the new Cap size in previous consultations, on the basis that we do not believe that it is credible that the error that can arise in the energy volume without meter readings will get anywhere near 1% of a Supplier's total volume in a GSP Group.

Q	Question	Response Error! Bookmark not defined.	Rationale
2.	Do you believe Alternative Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We do feel that the changed distribution of Supplier Charges offers an improved incentive on Suppliers performance.
3.	Does P157 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	
4.	Are there any further comments on P157 that you wish to make?	No	

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Respondent:	<i>Eddie Wall BSC Account Manager British Gas</i>
No. of Parties Represented	<i>3</i>
Parties Represented	<i>British Gas Trading and Electricity Direct Uk</i>
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	<i>Supplier</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	Putting aside the fact that the industry has yet to see the benefits from P99, on balance British Gas now believes that it does better facilitate BSC Objectives. British Gas believes P157 meets applicable objectives C (promoting competition) and D (Promoting efficiency) against the current base line.
2.	Do you believe Alternative Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	As above.
3.	Do you support the implementation approach described in the consultation document/the implementation option preferred by the Modification Group. Please give rationale	Yes	The implementation approach allows parties sufficient time to make any procedural changes internally.

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
4.	Does P157 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	
5.	Are there any further comments on P157 that you wish to make?	No	

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Respondent:	<i>Tim Roberts (Scottish Power)</i>
No. of Parties Represented	<i>6</i>
Parties Represented	<i>Scottish Power UK plc; Scottish Power Energy Management Ltd ; Scottish Power Generation Ltd; Scottish Power Energy Retail Ltd; SP Transmission Ltd; Manweb plc..</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC Agent / Party Agent / other – please state¹)</i>

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	The proposed Mod better facilitates the applicable BSC Objectives compared to the existing SCs, by focusing the charges on a GPOL / & reducing the no of serials charged on, thereby simplfying the process.
2.	Do you believe Alternative Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	The Alt Mod is our preferred option, as this includes redistribution based on performance which can only act as an incentive on Parties to address data quality issues, and hence drive up standards, this with the calculation of charges being based on a GPOL helps better facilitate BSC Objectives.

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3.	Does P157 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	Consideration needs to be given to the implementation date as BETTA is to be introduced in April 2005. As there are no SCs in Scotland, it would seem reasonable and perhaps less risky to delay the implementation date until Nov 2005
4.	Are there any further comments on P157 that you wish to make?	No	

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Respondent:	<i>Sebastian Eyre</i>
Non Parties represented	<i>energywatch</i>
Role of Respondent	<i>Gas and electricity consumer watchdog</i>

Q	Question	Response <small>Error! Bookmark not defined.</small>	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	We do not support the application of the current redistribution method under P157 (please refer to previous consultation responses).
2.	Do you believe Alternative Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We consider that P157 Alternative will better facilitate applicable BSC objectives c and d (please refer to previous consultation responses).
3.	Does P157 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	
4.	Are there any further comments on P157 that you wish to make?	No	

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