

## DEFINITION REPORT for Modification Proposal P157 Replacement of current Supplier Charges rules

Prepared by: VASMG

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### RECOMMENDATIONS

The VASMG recommends that the Panel to:

- **ENDORSE the recommendation of the VASMG and proceed to the Assessment Procedure;**
- **AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel for consideration at its meeting of 10 June 2004; and**
- **AGREE any refinement to the Modification Group Terms of Reference.**

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<sup>1</sup> The current version of the Balancing and Settlement Code (the 'Code') can be found at [www.elexon.co.uk/ta/bscres\\_docs/bsc\\_code.html](http://www.elexon.co.uk/ta/bscres_docs/bsc_code.html)

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## SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as BSCCo has been able to assess the following Parties/documents have been identified as being potentially impacted by Modification Proposal P157.

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 Exemptable Generators <input checked="" type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input type="checkbox"/>
Transmission Company <input 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"/>
<b>Party Agents</b>		
Data Aggregators <input type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
Data Collectors <input type="checkbox"/>	H <input type="checkbox"/>	MIDS <input type="checkbox"/>
Meter Operator Agents <input type="checkbox"/>	J <input type="checkbox"/>	<b>Core Industry Documents</b>
ECVNA <input type="checkbox"/>	K <input type="checkbox"/>	Grid Code <input type="checkbox"/>
MVRNA <input type="checkbox"/>	L <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
<b>BSC Agents</b>		
SAA <input type="checkbox"/>	M <input type="checkbox"/>	Ancillary Services Agreements <input type="checkbox"/>
FAA <input type="checkbox"/>	N <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	O <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
ECVAA <input type="checkbox"/>	P <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
CDCA <input type="checkbox"/>	Q <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
TAA <input type="checkbox"/>	R <input type="checkbox"/>	Settlement Agreement for Scotland <input type="checkbox"/>
CRA <input type="checkbox"/>	S <input checked="" type="checkbox"/>	Distribution Codes <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	T <input type="checkbox"/>	Distribution Use of System Agreements <input type="checkbox"/>
SVAA <input type="checkbox"/>	U <input type="checkbox"/>	Distribution Connection Agreements <input type="checkbox"/>
BSC Auditor <input type="checkbox"/>	V <input type="checkbox"/>	<b>BSCCo</b>
Profile Administrator <input type="checkbox"/>	W <input type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
Certification Agent <input type="checkbox"/>	X <input type="checkbox"/>	<b>Other Documents</b>
MIDP <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
TLFA <input type="checkbox"/>		
<b>Other Agents</b>		
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 P157 'Replacement of current Supplier Charges rules', (P157), was raised on 5 January 2004 by EDF Energy. P157 proposes to replace the current Supplier Charges rules in Annex S-1 of the Code with a robust set of rules that adhere to the proposed criteria for a corrective technique suggested by the Volume Allocation Standing Modification Group (VASMGM) during its work on Issue 6 (Supplier Charges).

The Proposer believes that a firm set of transparent rules will improve the quality of data entering Settlement. 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 VASMGM on Issue 6 has raised serious concerns over the appropriateness of the current rules and their effectiveness as a corrective technique.

P157 also proposes to minimise the effort required to process the existing Supplier Charges rules, calculated using pre-P99 Serials, by ensuring that there is no need for the old set of rules to be "run off" over a period of 14 months (see later).

The Proposer considered that P157 better facilitated the achievement of Applicable BSC Objectives (c) and (d). The achievement of Applicable BSC Objective (d) - promoting efficiency in the implementation and administration of the balancing and settlement arrangements, would be achieved by P157 since the quality of data entering Settlement will be improved through the introduction of a Supplier Charges mechanism that is easily understood and that provides incentives on Parties. The Proposer further argued that any mechanism that is effective in improving data quality should also better facilitate the achievement of Applicable Objective (c) – promoting effective competition in the generation and supply of electricity, and promoting such competition in the sale and purchase of electricity.

The Initial Written Assessment (IWA) was presented to the Panel at its meeting on the 15 January 2004. A practical test used to decide whether a Modification Proposal requires further definition before it is assessed is whether the Proposed Modification can be written in plain English (allowing that some areas may be square bracketed awaiting further assessment). The VASMGM had deliberated the matters and solutions associated with this subject of Supplier Charges under Issue 6 for several months. The Proposer raised Modification Proposal P157 so that the more detailed work required to implement a replacement to the current Supplier Charges rules could be undertaken and a solution could be decided upon and hence no solution was recommended by the Modification Proposal. For this reason a 2 month Definition Procedure was recommended.

The VASMGM met three times and issued one consultation document during the two month Definition Procedure. Its aim was to define the technique(s) that would be used to incentivise Parties to enter correct data into Settlement.

## **1.2 Proposed Modification**

The VASMGM have defined P157 in the following way:

The Group agreed the need to incentivise Parties to enter accurate data into Settlement. This may be achieved via peer group comparison and an amendment to the current Supplier Charges rules.

The peer group comparison will consist of a league table which will publish performance tables on a monthly basis. It was suggested that:

- These tables may be split by NHH and Half Hourly (HH) Suppliers.

- For HH Suppliers, the performance at R1 (1<sup>st</sup> Reconciliation Run) with respect to the percentage of actuals rather than estimates entered into Settlement may be published, whereas for NHH Suppliers the performance at RF (Final Reconciliation Run) with respect to the percentage of AAs rather than EACs entered into Settlement may be published – this data is currently collected by ELEXON by Serial SP08a<sup>2</sup> and b.
- These tables will be published on the BSC Website and will thus be visible to all.
- There may be other performance data that will be included within these peer group comparison tables.
- There will be provision for Parties to check / appeal the data published / to be published if they consider it to be inaccurate.

In addition, the current Supplier Charge rules will be amended. Relative to P99 Supplier Charges (the current legal baseline) this could mean any one or combination of the following aspects are altered:

- The Serials/performance data used as the basis for charges
- The performance levels required beyond which charges will apply
- The charges levied (including setting charges to zero)
- The method of redistribution
- The existence of a cap
- The inclusion of provision for force majeure

### 1.3 Issues raised

An initial assessment of Modification Proposal P157 identified the following potential areas of impact and issues which would need to be considered and addressed in progressing the Modification Proposal.

- The definition of the new rules to replace the current Supplier Charges must be developed and assessed against the criteria set out by the VASMG;
- The Modification Proposal appears to give flexibility to the choice of an Implementation Date, whilst at the same time recommending that it believes the most efficient solution to be 1 May 2004 to coincide with the implementation of P99. The VASMG would have to consider all aspects of the Implementation Date implications. It will then need to decide the most suitable Implementation Date for P157;
- Interaction with the P99 Project development plans must be considered. ELEXON originally informed the Panel in August 2003 that the P99 Project would not implement the existing Supplier Charges rules pending a review of the current rules under Issue 6. At the same time the processing of existing Supplier Charges was delayed whilst a technical solution to deal with the transfer of assets between Trading Parties was completed. The calculation of current Supplier Charges has now recommenced. PAB have agreed an informal timetable for the calculation of Supplier Charges for periods from December 2001 onwards. This is likely to be completed later in 2004. Due to the nature of the Supplier Charges rules, specifically the ability to resubmit and application of Serial 10 (late submission) charges, it is not possible to calculate Supplier Charges based on P99 Serials until the pre-P99 catch up has been completed. The P99 Project has been asked to commence work on incorporating the present Supplier Charges rules into the new system.

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<sup>2</sup> This is the post P99 Serial reference

The first issue was considered at the initial meeting of the VASMG in which it set out its views on the incentive techniques suggested by Issue 6 by assessing them against the criteria and principles as previously considered important. These principles are simplicity, transparency significant in magnitude, progressive and reflective of performance, reflective of impact and immediacy (see IWA Section 1.1). The VASMG included its views that were consolidated in the initial meeting in the consultation document that it issued to industry (see Reference 3). The responses and further views of the VASMG were discussed at the second and third meetings and a definition of the new rules and the incentive techniques that would make up these rules was developed.

It was agreed that the Assessment Procedure would further develop the techniques isolated in the Definition Procedure as well as considering the performance areas to be incentivised and the final two issues mentioned above. Two members of the Group felt that the current Supplier Charges rules and their effect should be considered before any decision regarding their replacement is made. Since these have not been invoiced and applied consistently, those members felt that P157 should not seek to amend the existing rules.

## 2 COSTS<sup>3</sup>

### PROGRESSING MODIFICATION PROPOSAL

<b>Demand Led Cost</b>	£0
<b>ELEXON Resource</b>	80 Man days £22,000

## 3 RATIONALE FOR MODIFICATION GROUP'S RECOMMENDATIONS TO THE PANEL

The VASMG recommend that P157 progresses to a 3 month Assessment Procedure with the Assessment report being presented to the Panel at its meeting on the 10 June 2004. The VASMG were concerned that P157 undergo a thorough consideration in the Assessment Procedure. The Assessment Procedure will further develop the incentive techniques, Supplier Charges and peer group comparison, isolated during the Definition Procedure. The exact performance levels each will aim to incentivise and the precise details regarding how it will be arranged will be concluded.

## 4 SUMMARY OF CONSULTATIONS

Consultation question	Respondent agrees	Respondent disagrees	Opinion not expressed
Do you support the principle of P157 that the current Supplier Charges Rules in their entirety are not appropriate or effective as a corrective technique? Please give rationale (Please note that this does not mean all aspects of the current Supplier Charges rules are inappropriate or ineffective)	5	2	1
<i>The questions below all refer to a Supplier Charge type mechanism see section 2.2.</i>			

<sup>3</sup> Clarification of the meanings of the cost terms in this section can be found in annex 6 of this report

How should the funds acquired from Supplier Charge invoicing be treated? i) Redistribution (as currently) ii) Amended redistribution so those who have performed badly do not receive, or receive less, funds. iii) Cover cost of PAF. iv) Central account get back when perform well v) Other? Please give rationale	i) 2 ii) 4 <sup>4</sup> iii) 1 iv) 0 v) 2 <sup>5</sup>		1
Is the current capping approach suitable? If not please state whether in your opinion should capping be removed? Please give rationale	3	3	2
Which of these should a new Supplier Charges technique utilise? Delivery of Routine Performance Reports (Serial SP01) Delivery of Routine Performance Logs (Serial SP02) Installation of HH Metering in 100kW Premises (Serial SP04) NHH Energy and MSIDs on AAs (Serial SP08a) 100kW HH Energy and MSIDs on Actuals (Serial SP08b) Non-100kW HH Energy and MSIDs on Actuals (Serial SP08c) Other performance measure (for example based on issues that led to audit qualification)? Please give rationale	SP01 - 2 SP02 - 2 SP04 - 2 SP08a - 3 SP08b - 3 SP08c - 2 Audit -2 <sup>6</sup>	2	1
Should a provision catering for circumstances of force-majeure be included? Please give rationale and state how this could be done	5	2	1
<i>The questions below all refer to a GSPGCF type mechanism see section 2.3.</i>			
Do you support the Group's initial recommendation that the GSPGCF options should not be progressed? Applying greater proportion of Group Correction energy to EAC vs. AA Adding volume directly to EACs Please give rationale	5	2	1
<i>The questions below all refer to a Naming type mechanism see section 2.4. Note this will be used as an additional technique</i>			
Do you support the Group's initial recommendation that peer group comparison option should be progressed rather than the naming by exception option? Please give rationale	4	3	1
Do you support the Group's approach regarding what would be published? A table split by NHH and HH Suppliers with proportion of EAC/estimated versus AA/actual data entered into Settlement at RF and R1 respectively.	3	4	1
Is there any other data you would like to see published? If so please state and give rationale.	2	4	2
<i>The questions below all refer to another mechanism see section 2.5a i.e. not allowing corrections after RF.</i>			
Do you consider this approach to be a suitable corrective technique? Please give rationale	2	4	2
<i>The questions below all refer to Implementation Date decision see section 2.6.</i>			

<sup>4</sup> Included in this is energywatch who replied that VASMG may want to explore amended redistribution

<sup>5</sup> These do not sum to 8 (the total number of consultation responses) as it accounts for respondents suggesting two options

<sup>6</sup> These do not sum to 8 (the total number of consultation responses) as it accounts for respondents suggesting two options

Do you agree that the Implementation Date should be arranged so as to prevent a 'run-off' of the current Supplier Charges rules? Please give rationale	4	2	2
Are there any issues not identified in this report that you believe should be considered during the Assessment Procedure, should the Panel agree to submit P157 to the Assessment Procedure? Please give issues and rationale	5	2	1
Are there any alternatives that you believe should be assessed during the Assessment Procedure?	4	3	1
Are there any further comments on P157 that you wish to make?	3	4	1

#### **4.1 Modification Group's summary of the consultation responses**

8 responses representing 38 Parties and one non Party were received to the consultation.

##### **Principle of P157**

There were 5 respondents (22 Parties and one Non Party) who supported the principle of P157, that the Supplier Charge rules in their entirety are not appropriate or effective as a corrective technique. Respondents believe that currently, large incumbent NHH Suppliers are not incentivised to improve their data in Settlement and therefore performance in many areas is not improving. Some respondents acknowledged that the current rules are not entirely defective but some aspects are. Several respondents expressed concern regarding the redistribution aspect of the current Supplier Charge rules and one respondent added to this concern regarding the lack of transparency and over-complexity of the current rules. One respondent whilst agreeing with the principle of P157 considered that there was no evidence of whether Supplier Charges were successful since they were suspended for a considerable amount of time. This respondent wanted to distinguish between Supplier Charges and Serials.

Two respondents (15 Parties) did not support the principle of P157 since the industry has not given the current Supplier Charges framework enough time to see what effect they have on performance. This minority believe that a decision cannot be made regarding the effectiveness (and potential replacement) of the current Supplier Charges until the current technique is being applied consistently and in line with the expected schedule.

##### **Supplier Charges Mechanism**

###### Use of Funds

Two respondents considered the current redistribution method to be the most suitable. One respondent stated that this was because we do not know if the current arrangements are either not working properly or are unworkable. The other respondent stated that provided that the serials are meaningful and reflect loss and costs of "injured" Parties, then the current mechanism is the fairest. It further stated that the principle of redistribution is not confined to Supplier Charges as it is used in the Residual Cashflow Reallocation Cashflow (RCRC) process. Objections on the grounds that it is unpredictable apply equally to RCRC, yet most Parties accept and manage much larger sums of money as a matter of course.

There were those who disagreed with the current redistribution mechanism. Reasons given were that it substantially reduces the impact on a badly performing Supplier and can even result in a Supplier which fails the standard but achieves higher than its peers being rewarded. One respondent questioned why currently generators receive 10% of the redistribution funds and recommend that this be explored further.

Three respondents supported amended redistribution of funds based on overall performance. This is so only those who have achieved the standard receive funds. One respondent felt that it was penal in nature and may run into legal issues. This was discussed in the consultation document and was felt not to be the case. In addition, a concern raised was that even if redistribution should go to those performing above average, it could still mean that Suppliers failing to meet targets would get a share anyway. This respondent wished that the charges in the new mechanism must reflect the level of impact on the other Suppliers' businesses and not give them a windfall gain.

There was little support for the cost of PAF being covered by the funds. One respondent considered that it would seem fairer to redistribute via a reduction in central costs generally, e.g. PAF costs. If PAF costs were over-recovered, the excess could go into the general BSCCo Costs pot. Those against this considered that it would result in a central fund building up with no obvious place for it to be reimbursed and that it was unrealistic and unmanageable and should not be explored further. One respondent stated that an incentive technique should improve performance & therefore by using the funds to cover the cost of the PAF, the function would eventually be closed down for lack of funds.

There was little support for Parties paying into a central account and receiving monies back upon performance improvement. This was because there would be no guarantee that Parties would improve and therefore reclaim their monies. One respondent, who supported a different use for the funds, reasoned that Supplier Charges and redistribution ought to reflect a genuine estimate of the loss caused by one Party to another. This rules out some of the alternatives to current redistribution for example not giving any money back to those underperforming, since if a Party is performing badly it is not always entirely its own fault. Other Parties in the market may be to blame. This respondent did not however suggest an alternative use of the funds.

One respondent did suggest alternative uses for funds. It suggested that the VASMG explore whether the funds acquired could be directed towards compensating Customers for poor performance from Suppliers.

### Capping

The respondents were split over the suitability of the current capping mechanism.

Views in support of the current mechanism are that until we can review the metrics involved the continuation of the existing capping arrangements is sensible. It was pointed out that the reason for the present cap was that some Agents would not accept liabilities beyond a certain amount (probably due to reasons relating to insurance limits). In addition it was claimed that capping is sensible where submissions might be wrong or where a Supplier has a real issue and they are working to correct it. It also protects new or smaller Suppliers who may suffer financially because of the quality of data they may have/receive (new entrants), or if they have a particularly bad period of performance (new entrants/small Suppliers). This respondent considered that the value of the current cap should be reviewed, but it is extremely unlikely that Parties would agree to a limitless liability.

One respondent caveated any removal of the cap with the proviso that it should not allow Supplier Charges to exceed a genuine pre-estimate of loss, otherwise there is a risk of straying into the area of penalties.

One respondent recommended a review of the capping mechanism i.e. the fact the 2 caps are imposed at GSP and Supplier level and assess the applicability.

Views against the current capping mechanism are that, as it stands, it is not appropriate as it favours larger Suppliers with bad performance, smaller Suppliers with a lesser share of the market would usually have to pay the full amount. However another respondent considered that the current capping is not suitable but it would be inappropriate to remove caps without addressing redistribution and the

genuine pre-estimate of loss. In addition it considered that Suppliers should be exposed to the full effect of the Supplier Charges but that it may be appropriate to phase out the cap over time.

#### Techniques a new Supplier Charge mechanism should utilise

There were different views as to which Serials or other issues a new Supplier Charges technique ought to utilise. (See Annex 5 for a full list of P99 Serials)

One respondent preferred none at present since the derivation of estimated cost impacts on Parties and charge levels needs to be clarified for each of the options given and this needs to be done as soon as possible. One respondent considered the current Supplier Charges framework be retained to give Suppliers more time and effort to succeed.

One respondent considered that Installation of HH Metering in 100kW Premises (Serial SP04), NHH Energy and MSIDs on AAs (Serial SP08a), 100kW HH Energy and MSIDs on Actuals (Serial SP08b) and Non-100kW HH Energy and MSIDs on Actuals (Serial SP08c) were suitable but that consideration should also be given to issues which lead to a qualified audit of the Industry's accounts.

One respondent thought that only SP08a was suitable for Suppliers to be charged on.

Another respondent considered that Delivery of Routine Performance Reports (Serial SP01), Delivery of Routine Performance Logs (Serial SP02), SP08a, SP08b, SP08c and potentially audit issues should be charged on. SP01 and SP02 are required to ensure accuracy and timeliness of reporting, SP08(a) is fundamental to the operation of the NHH market and, in its opinion, also relates to the accuracy of billing the end Customer. For the sake of simplicity, it may be appropriate to remove the application of a Supplier Charge to the R3 measure so that full attention is given to the RF performance. In addition this respondent believes that Supplier Charge could usefully be applied to key issues that led to audit qualification, for example, a clear measure relating to energisation status.

Another respondent considered that SP01, SP02, SP04, SP08b were appropriate and SP08a would be if it was targeted more at the quality of EAC data rather than a simple measure of AAs.

One respondent questioned whether a PAF review would be a more suitable forum to discuss which Serials the Supplier Charges should be applied to.

#### Force Majeure

A majority of respondents (5) considered that a provision for force majeure (FM) should be included. One respondent stated that Section S3.3 already makes provision for FM and that FM may be invoked at a greater frequency once the Supplier Charges are re-constituted to improve Supplier incentives and additional safeguards may be necessary to prevent abuse. In addition if the R3 measure in SP08(a) was removed this would give Suppliers considerable additional time to overcome a potential FM incident before this particular Supplier Charge was applied.

One respondent that agreed to the inclusion of an FM provision pointed out the need for the criteria to be set so that the circumstances in which they would be met are very limited. This is necessary because there are a number of features of the current arrangements which mean that in the event of a major failure, by a Party, there could be a significant impact on the performance of another Party (outside of its control and of any possible mitigation and to avoid abuse by unscrupulous Suppliers).

One respondent suggested a method of mitigation could be the application of a cap.

Two respondents disagreed with having FM provisions. One respondent directed the VASMG to the Authority's decision letter on P115. This stated that Ofgem considers that the effectiveness of Supplier Charges is likely to be diminished if there were to be a mechanism for disapplication. The financial cost to industry participants as a consequence of a Supplier's underperformance would not be fully accounted for or reimbursed through the reallocation of monies from Supplier Charges if a proportion

of those charges were disapplied. In addition, it stated Ofgem's view, that the effectiveness of the incentives to try to resolve the underlying issues that cause underperformance would be eroded if a process was in place to disapply Supplier Charges. The framework for Supplier Charges cannot allow for FM to be provided for given the complexity of application of liability and the credit redistribution. The other respondent against FM provision considered that the PAB should have the discretion to reduce the amount owed if it can be shown to be grossly unfair.

### **Grid Supply Point (GSP) Group Correction Factor (GCF)**

A majority (5 respondents) supported the Group's initial recommendation that the GSPGCF options should not be progressed. Reasons given were that these mechanisms do not work because for some GSP Groups they may actually reward under-performance. Adding volume to (or scaling up) EACs could distort cash-flow significantly, which potentially has credit risk and general audit implications which needs to be evaluated properly before going down this route. In addition there was concern that it creates uncertainty as to the outcome of the Settlement and/or GSPGCF calculations, and this option would increase the risk of not being able to accurately forecast outturn deemed take, hence increasing exposure to imbalance charges. In addition it was felt that the GSPGCF methodology is already complex and designed for a particular purpose and it would be inappropriate to complicate this process still further to fulfil the Supplier Charges function e.g. clarity and transparency would be further reduced.

One respondent considered that the mechanism needs to target the accuracy of EACs as the real root cause issue. The level of AAs is only a contributory factor to the real issue.

Two respondents considered this method worth developing with a clearer option being tabled for the VASMG to review prior to the proposal being removed from P157. One respondent considered that if a technique is to be chosen where money changes hands, then this option needs to be a top priority since it is clearly more related to actual effects in Settlement than other options. However, if naming in isolation is the only practical solution, then this GSPGCF need not be progressed.

### **Naming**

#### **Support for VASMG initial recommendation**

There was majority support (4 respondents) for the VASMG's initial recommendation that the peer group comparison option should be progressed rather than the 'naming by exception' option. Reasons given included:

- Naming by exception is too extreme in an industry with a wide range of Parties as there is a significant liability risk that a company might be named in error;
- Both good and bad performance should be in the public domain as Customers have a strong interest in the quality of Suppliers' processes. This should provide an additional stimulus for Suppliers to achieve continuous improvement;
- Parties would like to see everyone's performance each time to avoid complaints and so the overall trend will be visible;
- Naming by exception is likely to be a deterrent only in the threat of being named. Once a Party has been named this corrective technique will lose much of its force; and
- It would require establishment of a reporting threshold, which would simply become the de facto performance standard;

One respondent agreed with the conclusion that peer group comparison is an additional corrective technique and should support other financially based incentives. One respondent supported peer group

comparison as long as it is averaged over three months so that the effects of smaller Suppliers' variable numbers did not distort the picture.

Three respondents, a minority, did not support the VASMG's initial conclusion and did not support naming in any form.

- One respondent whilst continuing to support the introduction of peer group comparison tables in the industry did not consider it useful in the context of financial incentives and P157. It noted the lack of industry support to the recent peer group comparison tables consultation and questioned why BSCCo was keen to drive forward with this initiative.
- One respondent considered that neither option was agreeable if the information was to be published to a non industry audience since this can only lead to public misconceptions of the industry. In addition the suggested comparisons would be based on historical data (over one year old) and this would not be a guaranteed reflection of a Supplier's current performance. This respondent also brought up the issue of accuracy and questioned what redress there would be, if the information published was inaccurate, but had caused damage to the Supplier's 'brand' and reputation.
- One respondent considered that peer group comparison would be ineffective in getting a Supplier to improve its performance and more could be done to raise the profile of Supplier performance with senior management, without the need for public peer group comparison with its associated problems of commercial confidentiality and need for industry wide endorsement of the methodology. The methodology and what is reported must be accurate beyond doubt before you can consider reporting a Supplier on their performance. This respondent believes that publication of peer comparison information should, as a principle, only be used where it is clear that it will be more effective than other methods, and will recognise any commercial confidentiality. If such an option is selected then careful consideration must be given to how and what is published and there must be a route of appeal for Suppliers to question the validity of their being named and for what.

#### What should be published

Those who disagreed with the concept of naming as a corrective technique also disagreed with the Group's approach, that a table split by NHH and HH Suppliers with proportion of EAC/estimated versus AA/actual data entered into Settlement at RF and R1 respectively should be published. One stated this was also because NHH performance may reflect the mix of monthly and less frequently billed Customers. This respondent suggested that if naming were to be used a comprehensive trend analysis of EACs & AAs by Supplier and Agent all by GSP Group would be a very useful comparison. These comparisons would enable Parties to ensure that they were paying the correct amount for their energy through Settlement. One respondent added a caveat that if such information was published it must be accurate, recognises commercial confidentiality and there must be room for appeal. One respondent commented that there is a potential that data could be used and published (anonymously) to identify issues within the market as an early warning system, entirely separate to a Supplier Charge framework. In addition one respondent who supported naming disagreed with the VASMG's approach and suggested that in addition to what was suggested, the rank achieved in the previous month should be shown to further encourage continuous improvement and publication of data should be limited to one or two key performance measures which may change through time as performance across the industry meets the standard required.

#### **No Runs after RF**

A majority (4 respondents) did not believe not allowing corrections after RF was a suitable technique as it distorts Settlement accuracy and is contrary to the intention of improving the accuracy of the market. Although it would save the costs of Disputes processes, it would potentially allow offenders to hang on

to their gains since if a Supplier has benefited from his errors or poor data quality, by understating his deemed take, this would be what he would want, i.e. not correcting the errors.

2 respondents supported this mechanism since as an industry we should ensure that all data adjustments and reconciliations are correct and performed by the 14 month RF deadline and if everyone in the industry worked together it would be well placed to process data adjustments before RF.

One respondent liked this as it is a corrective technique based on the accuracy of EACs. If a Supplier submits EACs that are higher than they should be, it is not disadvantaging anyone except itself, provided that once RF has past it has no opportunity to lower them.

One respondent requested further information regarding this proposal to assess its potential as a suitable corrective technique.

### **Implementation Date**

A majority of respondents agreed that the Implementation Date should be arranged so as to prevent a 'run-off' of the current pre P99 Supplier Charges rules, one respondent suggesting a date as soon as possible. However there was some concern regarding a new technique being introduced retrospectively. One respondent believed that what needed to be considered was when the action (or inaction) giving rise to a particular under-performance actually occurred. This means that for some standards/charges the earliest Implementation Date should be at least 14 months after approval of the Modification. In addition, one respondent questioned whether it was fair to introduce new charges after the event when it might be too late to make the necessary improvements.

One respondent required further information about what is being proposed operationally.

### **Alternatives**

Several alternatives were suggested by the respondents:

- A comprehensive trend analysis of EAC's & AA's by Supplier & Agent all by GSP Group would be very useful comparisons. These comparisons would enable Parties to ensure that they were paying the correct amount for their energy through Settlements;
- Abandoning financial sanctions. This respondent questioned whether it was feasible to calculate a genuine pre-estimate of loss that would be effective. It suggested implementing a stricter escalation procedure such that persistent offenders are reported upwards from PAB to the Panel, where they could be deemed to be in breach of the Code. The MRA has a "breach" clause, whereby offenders are given an opportunity to correct the breach, failing which they are declared to Ofgem as being in breach, thereby risking revocation of their Licence. Could this be applied to the Code in a similar way?;
- Scrapping Supplier Charges altogether and get everyone to work together much closer than is currently the case. This respondent would like to see more time and effort spent by the industry in trying to understand the underlying problems that prevent Suppliers reaching the agreed performance levels, and what can be done to increase the chance of these being reached, rather than the 'threat' type approach that we have at the moment;
- Supplier Charges should be applied in a more straight-forward manner and the funds collected used for the benefit of Customers. For example, when a Supplier operates multiple individual Supplier IDs, the Supplier Charges should be applied across the group of Suppliers based upon the performance of the lowest performing Id. This will incentivise large Suppliers to apply best practice across the group. The mechanism would need to deal with the implications of a Supplier discontinuing with a particular Supplier ID or a trade sale. In addition, to increase the incentive effect of Supplier Charges, in addition to removing the cap

- the current charge levels should be increased sharply in order to send a clear signal to Suppliers that data quality matters;
- In Scotland peer comparison and monitoring is used and the process is no less focussed because of it. There is no evidence that the application of Supplier Charges to the Serials incentivises Parties. The Settlement Agreement for Scotland (SAS) operates on the basis of Serials but with no Supplier Charges and there is no evidence of their being any significant difference in performance or Party behaviour; and
  - Publish data (anonymously) to identify issues within the market as an early warning system, entirely separate to a Supplier Charge framework. Taking data quality as an example, if the energisation issues had been monitored at GSP level then the industry and BSCCo would have had an opportunity to identify that there was a significant issue at an earlier stage and this would have enabled Suppliers to undertake remedial and prevention actions at an earlier stage, thus minimising the adverse impact of Supplier on other Suppliers. This would support Suppliers in assessing the impact of others as well as minimising and mitigating their own impacts.

One respondent considered that since Ofgem determined in favour of the benefits encompassed within Modification P99 which encompasses amendments to the Standards & Serials, it could be argued that elements of P157 are attempting to undo, or in fact do not improve the changes that P99 is introducing – this does not support BSC objective (d). At this stage the merits cannot be established.

In addition, during Issue 6 the VASMG had recommended that Supplier Charges should be simple – by introducing a new Supplier Charges framework through P157, Suppliers would be mandated to operate with 3 sets of Supplier Charges rules, namely pre-P99 rules; post-P99 rules & P157 rules. This would not be simple to administer nor simple to calculate and does not support the BSC objective (d).

Additionally, the thrust of the issue appears to be regarding Serial 1/SP08. The PAB is working vociferously to improve performance across the industry and has agreed target dates for the achievement of the Settlement targets with Suppliers, it again seems premature to introduce a new Supplier Charges framework when the PAB is endorsing Suppliers' proformas and targets for the achievement of this measure. One solution would be to leave things exactly as proposed under P99 and review in 12 months time once Supplier Charges have had a chance to prove or disprove their worth.

In addition, Supplier Charges have been "out of order" for long periods, and so nobody knows whether or not they are effective. If they are it can only be over a sustained period, because the changes in performance and behaviour also take place over a long period.

## 4.2 Comments and views of the Modification Group

The VASMG met on 21 January, 17 February and 1 March 2004 to discuss P157. One member of the Group wanted to highlight the importance of P157 in that addressing data quality issues significantly reduces the risk of future qualified audits and as such there ought to be clear incentives for Parties to comply.

### Current Supplier Charges Rules

The Group considered the current Supplier Charges rules. The Group noted that it was difficult to judge whether the current rules provided an adequate incentive on Parties since the billing is currently behind schedule and hence there is currently a lack of *immediacy*. This timing issue compounds the problems of lack of *transparency and clarity* since Suppliers cannot calculate their potential charges using historical data. Some members of the Group suggested that the current Supplier Charges

framework is utilised and brought up to date before the framework is removed completely. This would allow an informed decision to be made as to whether the current framework does incentivise performance or not, following the application of actual charges. The Group was reminded of their discussions under Issue 6, in which there was agreement regarding the unsuitability of the current rules and which led to the raising of P157. The Group was asked to consider the current Supplier Charges rules in their entirety and whether they felt that they were appropriate or not. A majority of the Group concluded that whilst there were some aspects of the current rules that might be fitting (a definite opinion may only be formed when the rules are running to schedule), there are several aspects that the Group were not happy with and would require change.

A majority of the Group thus confirmed the conclusion reached during discussion of Issue 6 – the current Supplier Charges rules in their existing form do not fulfil the criteria developed by the VASMG under Issue 6 and are thus ineffective and inappropriate.

### **New Supplier Charge Rules**

The Group considered the problems that it had with the current Supplier Charges rules, whether they could be solved and hence whether Supplier Charge type rules was something that merited further development and discussion in an Assessment Procedure.

The Group considered how the funds collected from Supplier Charges should be used. Several members of the Group were unhappy with the current procedure in which the funds get redistributed<sup>7</sup>, a majority to the NHH Suppliers in that GSP Group regardless of their performance. This so-called 'money-go-round' means that NHH Suppliers find it difficult to calculate the net amount of money they will have to pay (*Simplicity, Transparency and Clarity*) and that the net amount paid out by a large badly performing Supplier in the GSP Group may be small (*Significant in Magnitude and Reflective of Performance*). One member of the Group commented that whatever mechanism replaces the existing one, the charges should reflect the level of impact on the other Suppliers' businesses and not be set at a penal level that gives them a windfall gain.

Other uses of funds were considered. One suggestion was to cover the cost of Performance Assurance Framework (PAF). This was not considered worthwhile since BSCCo Charges are paid according to Main Funding Shares and this is almost equivalent to redistribution according to market share as it was benefiting the whole industry including the imperfect Suppliers. Separating the PAF from other BSCCo Charges was considered impractical among other reasons, since it might result in a cap if the PAF costs were over compensated for by the Supplier Charge funds. In addition, keeping the funds in a central account for the relevant Party to receive it back when its performance improves was considered unfeasible for several reasons such as, this not being an incentive as it will only cost the Party the cost of borrowing which in itself would be biased towards larger Suppliers and, what to do with the funds if a Party wants to withdraw from the Code and if a Party's performance never improves.

One member of the Group highlighted the initial reason for the redistribution arrangement. It was based on the calculation of a genuine pre estimate of error. The genuine pre estimate of error was calculated by considering the error caused to each Supplier in the GSP Group by one Supplier either under or over stating consumption. Any error in a Supplier's data, entered into Settlement, will result in an altered GSPGCF and hence the error will be smeared over all the Suppliers in the GSP Group approximately proportional to market share, the basis of redistribution. Redistribution according to market share fits conceptually with this method of calculation. In this way, each Supplier that enters erroneous data into Settlement affects *itself* as well as other Suppliers. Redistribution according to market share is therefore justified since the error that has been estimated by the genuine pre estimate of error calculation is distributed to those who have suffered the loss.

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<sup>7</sup> 10% to all BSC Trading Parties based on Funding share and 90% to all NHH Suppliers operating in the relevant GSP Group (based on share of total NHH energy in that GSP Group for that month).

Legal opinion is that amending the redistribution methodology, does not breach the rule against including penalties into the Code for underperformance. The rule relates to the reasonableness of funds paid out by a Party as 'recompense' for breach of a contract. These funds must represent a genuine pre-estimate of the losses likely to be suffered by its counterparty(ies) as a result of the breach. The rule is not concerned with the use to which those funds are put once recovered - as long as that use is not itself in further breach of the contract or otherwise illegal.

The VASMG considered that redistribution was a key issue to be discussed during the Assessment Procedure.

One member of the VASMG commented that gross Supplier Charges are of an order 10 or 100 times lower than balancing charges and that however the redistribution is amended this does not provide much of an incentive and is probably seen as "noise" around the balancing charges.

The VASMG considered whether the current capping rules were appropriate or not. The capping charges were thought to be opaque (*Simplicity, Transparency and Clarity*). The VASMG considered that the Supplier Charges would be more transparent and easily predictable were no cap applied.

The VASMG considered that capping was an issue to be discussed during the Assessment Procedure.

The VASMG considered the current Serials and the performance that the replacement for current Supplier Charges rules would incentivise. The Group was keen to look at incentivising Serials and performance issues that were highlighted as problems by the BSC Auditor. One member pointed out that the PAB were already targeting key issues. The application of financial incentives to these performance types or Serials will be considered as part of the Assessment Procedure.

The VASMG considered that in a new form of Supplier Charges, a force majeure provision could be included. The exact nature of this will be considered as part of the Assessment Procedure.

The VASMG had various views reflective of those in the consultation responses (annex 2). A majority agreed that it was worth further assessing the issues relating to Supplier Charges although some thought Supplier Charges should be set to zero.

### **Grid Supply Point Group Correction Factor (GSPGCF)**

The VASMG under Issue 6 considered the idea of amending the current rules surrounding the application of GSP Group Correction energy. Two possible scenarios were considered. First, to apply a greater proportion of the group correction energy to EACs, than to AAs. The second scenario would see additional volumes being applied directly to EACs (as opposed to applying a Group Correction Factor).

The VASMG considered the positive and negative aspects, specifically with reference to the criteria, of both scenarios considered under the GSPGCF heading. The VASMG's discussion is summarised in the table below:

	<b>Applying greater proportion to EAC vs. AA</b>	<b>Adding volume directly to EACs</b>
+  [immediacy]	The technique sits within Settlement hence once the parameters are decided it would be simple to implement and would not appear as a penalty  Non-compliance would be addressed without delay	The technique sits within Settlement hence once the parameters are decided it would be simple to implement and would not appear as a penalty  Non-compliance would be addressed without delay

- [simplicity] [transparency, clarity, significant in magnitude] [reflective of impact, significant in magnitude]	It is complex  It is difficult to calculate the outcome as it may have unforeseen impacts on energy Imbalance charges and RCRC <sup>8</sup>  The offence is non half hourly – it may not be appropriate to have a half hourly impact <sup>9</sup>  A negative GCF would produce perverse incentives	It would make Settlement less accurate  It is complex  It is difficult to calculate the outcome as it may have unforeseen impacts on energy Imbalance charges and RCRC  The offence is non half hourly – it may not be appropriate to have a half hourly impact  A GCF that is less than unity would produce perverse incentives
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The VASMG considered that the negative aspects of these options far outweighed the positive aspects and a majority of the VASMG said that it would recommend that these options not be progressed. The VASMG consulted industry on this and due to a majority agreement with its recommendation to discard this idea it was agreed that this would not be progressed as part of the Proposed Modification.

### Naming

The VASMG considered two proposals relating to the use of Naming as a corrective technique. The first was to use simple peer comparison reported on a regular basis. This would consist of a league table ranking Supplier IDs by some agreed performance data. The second idea was to use naming by exception. This would consist of naming Supplier IDs that had breached a certain standard of performance.

The VASMG considered the principle of naming as a corrective technique and acknowledged that it did not contain a financial element. Bearing this in mind the VASMG decided that a naming technique could be used as a supplement to another corrective technique that did have financial implications for Parties.

The VASMG then considered the two naming techniques and the positive and negative aspects of each, specifically with reference to the criteria. The VASMG's discussion is summarised in the table below

	Peer Group Comparison	Naming by Exception
+ [simplicity] [transparency, clarity] [immediacy] [reflective of performance]	Simple  Transparent  Reflective of Performance  Attention Grabber  Better understanding of issues	Less simple  Less transparent  Reflective of Performance  Attention Grabber
? [significant in]	The VASMG were unsure whether this could be considered significant	The VASMG were unsure whether this could be considered significant in magnitude

<sup>8</sup> Residual Cashflow Reallocation Cashflow

<sup>9</sup> This model has a different value every half hour to apply a charge to a Party's under-performance. This value is the imbalance price which can vary widely for reasons not relating to the data a Party enters into Settlement. This is in contrast to Supplier Charges which uses a set value to apply a charge to a Party's under-performance

magnitude]	in magnitude	
-  [reflective of impact]		<p>This is not reflective of impact</p> <p>Smaller Suppliers will vary more and thus may oscillate widely between being named and not</p> <p>There is no indication how those not being named are performing</p> <p>Setting level at which Parties are named would be hard and may become goal in itself</p> <p>It does not incentivise continuous improvement</p>

The VASMG considered that the peer group comparison naming option was preferred. The VASMG considered that this would take the form of a league table, produced monthly. The VASMG decided that the league table would involve publishing performance tables on a monthly basis, split by NHH and Half Hourly (HH) Suppliers. For HH Suppliers the performance at R1 (1<sup>st</sup> Reconciliation Run) with respect to actuals rather than estimates entered into Settlement would be published whereas for NHH Suppliers the performance at RF (Final Reconciliation Run) with respect to EACs rather than AAs entered into Settlement would be published.

The VASMG consulted industry on this and due to majority support, considered that this was something that it wished to take forward into the Assessment Procedure whilst not ruling out peer group comparison on other performance measures.

**Escalation**

The VASMG discussed the alternative suggested by a consultation respondent, of using an escalation process such that persistent offenders are reported upwards from PAB to the Panel, where they could be deemed to be in breach of the Code. The VASMG noted concern but felt that work was being undertaken to enhance the PAB Escalation Process so that all participants escalated to PAB will be asked to report on all non-compliances to ensure that the root causes of Settlement inaccuracies are addressed. The VASMG did not consider that a Modification Proposal was required to amend this process.

**Other Techniques Considered**

One technique states that a Party that enters too high a proportion of EACs into Settlement would not be allowed to change the values entered in a Post Final Settlement Run and any EAC entered would have to be greater than or equal to default values applied at RF. It is thought that making Parties enter high EAC values at RF and then not allowing them to alter these would incentivise Parties to meet target AA levels. This received little support in the consultation responses, as it was felt it would not make Settlement more accurate, and thus was rejected by the VASMG.

The VASMG also considered the option of not allowing a Supplier, who breached the set performance level, to register any new Customers. Several members of the VASMG considered that this was too harsh. In addition, the Panel currently has this power with the agreement of the Authority.

## **Implementation Date**

The VASMG discussed the options available to them to choose an Implementation Date and assist in the development of a legal text. The VASMG considered the proposed timetable for running Supplier Charges.

The proposed rate of Supplier Charge calculation was agreed by the PAB and maintained, and hence Supplier Charges will be calculated at a rate of 3 months calculation per calendar month. The April 2004 reporting month Supplier Charges will be calculated in November 2004. Therefore November 2004 may be the first calendar month during which the P99 May 2004 Supplier Charges will be calculated.

The VASMG deliberated what it wanted to bring about from any Implementation Date. The VASMG considered two things

- To prevent the need to "run off" the pre-P99 Supplier Charges provisions within the Code
- To replace these with a new mechanism that would incentivise Suppliers to enter accurate data into Settlement

The VASMG's preferred approach would be to implement the new rules coincident with the Implementation of P99 enabling a seamless transition from pre P99 rules to post P157 rules without the need to run any P99 charges for a limited period. The VASMG also considered the delay to billing existing for the pre P99 rules on possible Implementation Date decisions.

The VASMG decided this was a matter to be decided in the Assessment Procedure.

## **5 SUMMARY OF TRANSMISSION COMPANY ANALYSIS**

No Transmission Company analysis was requested.

## **6 SUMMARY OF BSC AGENT IMPACT ASSESSMENTS**

No BSC Agent Impact Assessment was requested.

## **7 SUMMARY OF EXTERNAL ADVICE**

No external advice has been undertaken.

## **8 PROCESS, TIMETABLE AND COSTS FOR PROGRESSING THE MODIFICATION PROPOSAL**

The Modification Group recommends that this Modification Proposal P157 be submitted to the VASMG for Assessment. The VASMG should be actioned to provide its report to the Panel by 15/06/04. (See annex 8 for proposed Assessment Procedure timetable).

An estimated budget was established and included in the IWA to encompass the cost of BSCCo man days and 3<sup>rd</sup> party costs. Following completion of the Definition Procedure there is no need to revise the budget for progressing the Modification Proposal.

## 9 DOCUMENT CONTROL

### 9.1 Authorities

Version	Date	Author	Reviewer
0.1	01/03/04	Dena Harris	VASMG
0.2	03/03/04	Dena Harris	Change Delivery
0.3	05/03/04	Dena Harris	Change Delivery
1.0	05/03/04	Dena Harris	Panel Decision

### 9.2 References

Ref. No.	Document Title	Owner	Issue Date	Version
P99MR	"Changes to Accreditation and the PARMs Serials and Standards, resulting from the Performance Assurance Framework (PAF) Review (Phase 1)"	BSCCo	24/01/03	1.0
69/020	Issue 6 – Report from the VASMG	BSCCo	13/11/03	1.0
P157DC	"Consultation for Modification Proposal P157: Replacement of current Supplier Charges rules"	BSCCo	03/02/04	1.0
P157IR	"Replacement of current Supplier Charges rules"	BSCCo	09/01/04	1.0

## ANNEX 1 MODIFICATION GROUP DETAILS

Member	Organisation	Email	21/01/ 04	17/02/ 04	01/03/ 04
Sarah Parsons	ELEXON (Chairman)	Sarah.parsons@elexon.co.uk	Y	Y	Y
Dena Harris	ELEXON (Lead Analyst)	Dena.harris@elexon.co.uk	Y	Y	Y
Richard Clarke	ELEXON	Richard.clarke@elexon.co.uk	Y	Y	Y
David Jones	ELEXON	David.jones@elexon.co.uk	Y	Y	Y
Paul Chesterman	EDF Energy (Proposer)	paul.chesterman@edfenergy.com	Y	N	Y
Claire Walsh	Centrica	Claire.Walsh@centrica.co.uk	Y	Y	Y
Robert Brown	Cornwall Consulting Limited	robert.brown12@lineone.net	Y	Y	Y
Tim Roberts	Scottish Power	Tim.Roberts@scottishpower.plc.uk	Y	Y	Y
Colin Prestwich	Smartest Energy	colin-prestwich@uk.marubeni.com	Y	N	Y
Chris Pooley	Campbell Carr	C_Pooley@campbellcarr.co.uk	Y	Y	N
Afroze Miah	Powergen	Afroze.Miah@powergen.co.uk	Y	Y	Y
Katherine Bergin	Scottish and Southern	katherine.bergin@scottish-southern.co.uk	N	N	N
Phil Russell		Phil.russell@bigfoot.com	Y	Y	Y
Andrew Colley	Scottish and Southern	Andrew.colley@scottish-southern.co.uk	N	Y	N
Carl Wilkes	Npower	Carl.Wilkes@npower.com	Y	Y	Y
John Sykes	Scottish and Southern	john.sykes@scottish-southern.co.uk	N	N	Y

Attendee	Organisation	Email	21/01/ 04	17/02/ 04	01/03/ 04
Ian Anthony	Ofgem	Ian.Anthony@Ofgem.gov.uk	Y	Y	N
Katharine Morrison	energywatch	Katharine.Morrison@energywatch.org.uk	N	Y	N
Barbara Vest	BSC Panel	barbara.vest@gazdefranceenergy.co.uk	N	N	N
Richard Harrison	Npower	richard.harrison@npower.com	N	N	N
Jonathan Purdy	EDF Energy (Proposer)	jonathan.purdy@edfenergy.com	N	N	N
Martin Mate	British Energy	martin.mate@british-energy.com	N	N	Y
Heather Mackenzie	Scottish Power	Heather.McKenzie@saic.com	N	N	N
Clare Talbot	National Grid	Clare.Talbot@uk.ngrid.com	N	N	N
Nick Simpson	Ofgem	Nick.Simpson@Ofgem.gov.uk	N	Y	N
Louisa Gilchrist	Npower	Louisa.Gilchrist@npower.com	N	N	Y

## ANNEX 2 CONSULTATION RESPONSES

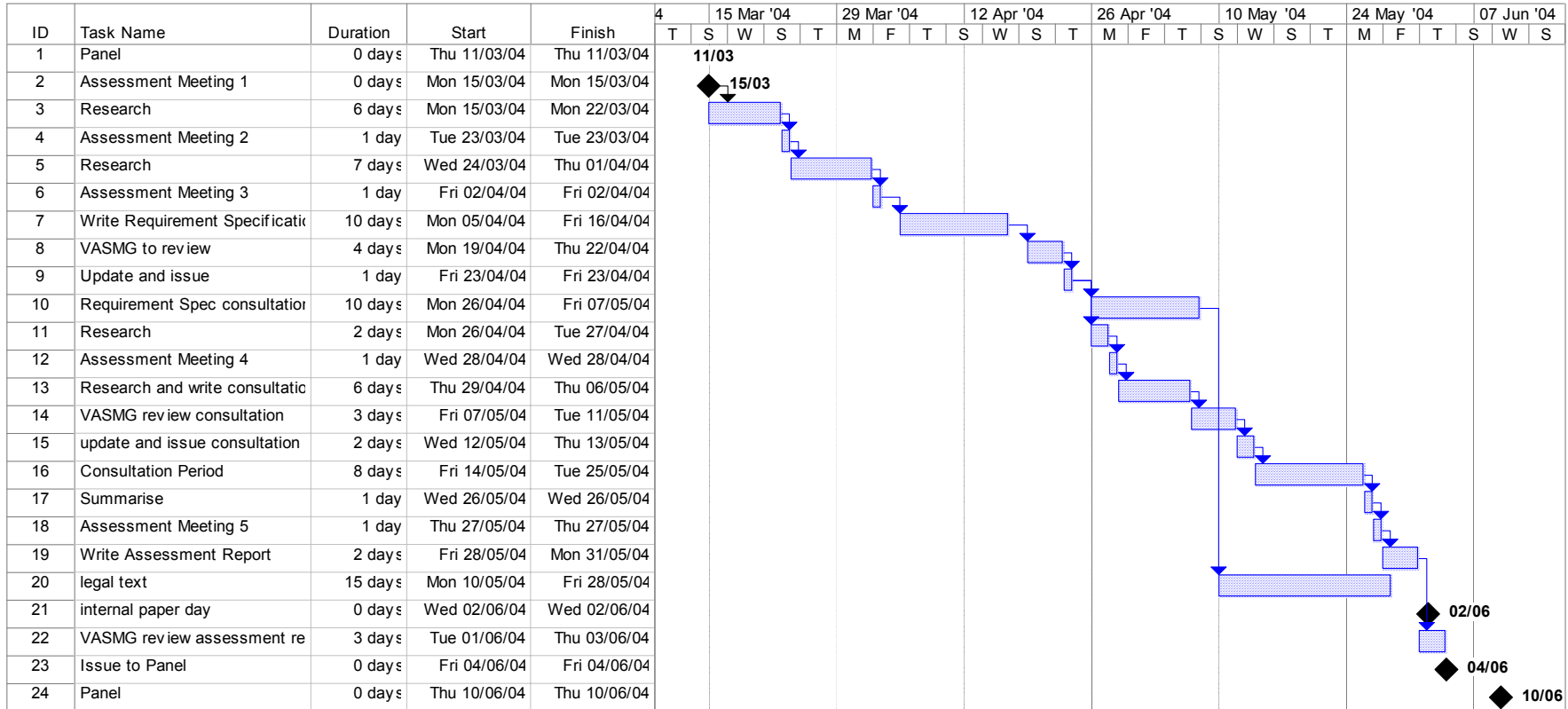
See attached document.

## ANNEX 3 CLARIFICATION OF COSTS

PROGRESSING MODIFICATION PROPOSAL	
<b>Demand Led Cost</b>	This is the third party cost of progressing a Modification Proposal through the Modification Procedures in accordance with Section F of the Code. Service Provider Impact Assessments are covered by a contractual charge and so the Demand Led cost will typically be zero unless external Legal assistance or external consultancy is required.

<b>ELEXON Resource</b>	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.
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### ANNEX 4 GANTT CHART

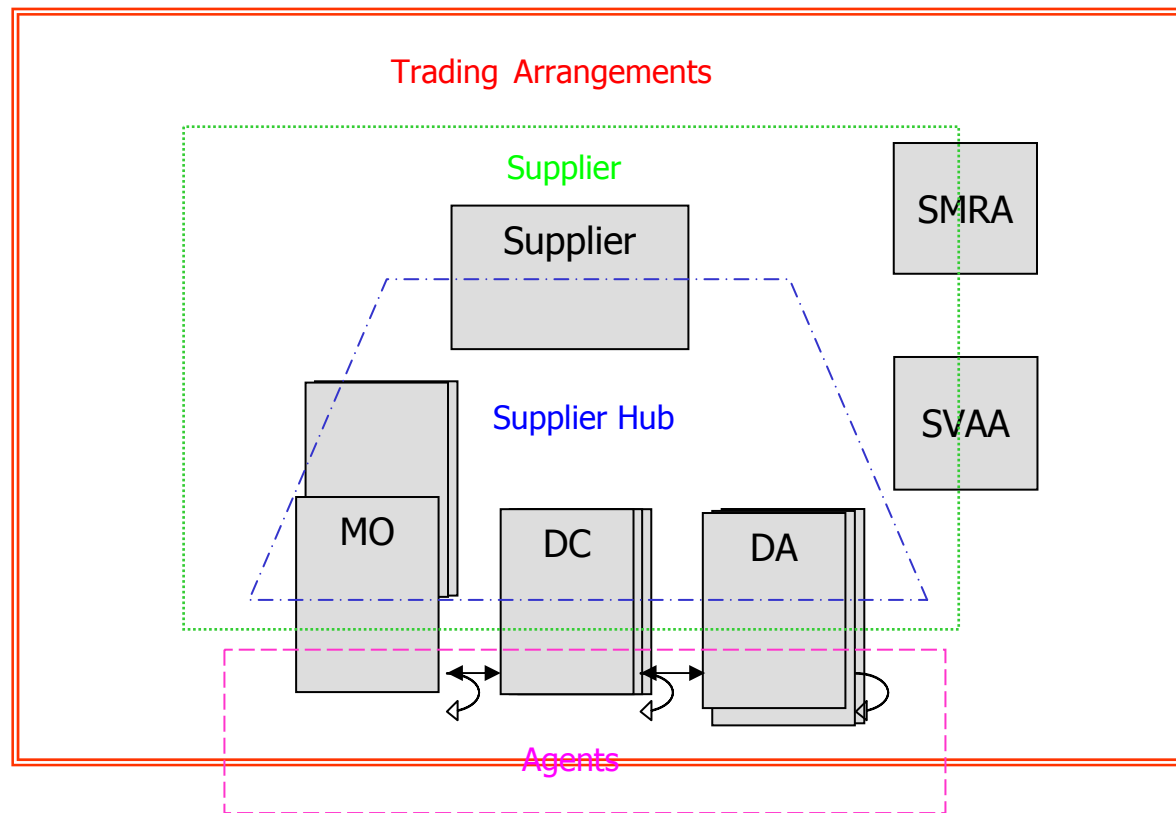


## ANNEX 5 P99 SERIALS

### P99 Serials

The P99 Serials are designed to measure performance at a range of levels.

To assist in the formulation of Serials, a 4-layered model of the industry was created:



This diagram shows the four layers of the SVA market.

- Trading Arrangements - **Objective:** Measures market wide indicators of performance at national/GSPG level.  
**Function:** Trigger for more detailed issue investigation.
- Supplier - **Objective:** Measures Supplier performance at national/GSPG level. Provides high-level overview.  
**Function:** Trigger for switching on of Supplier Hub Serials, Liquidated Damages and escalation.
- Supplier Hub - **Objective:** Measures performance of hubs in detail. Switch on/off when Supplier performance indicates it.  
**Function:** Trigger for escalation. Ensures Supplier's management of Hubs is effective.
- Agent - **Objective:** Measures when an Agent is not capable or prepared to perform its BSC obligations.  
Performance is measured without reliance on performance of other Agents.  
**Function:** Trigger for Removal of Accreditation

Type	Serial	Titled	Description
Trading Arrangements	TA01	GSP Group Correction Factor	Used to profile the Group Correction Factors for each GSP group and as such can be used as an indicator as to general health of the market.
Trading Arrangements	TA02	Annual Demand Ratio (ADR)	ADR is a measure of the variation between the total annual profiled (NHH) consumption and the total annual metered consumption (as deduced from GSP Group Takes). It identifies any under/over accounting of energy. It is another indicator as to general health of the market.
CVA Agent	CM01	CVA MOA Proving Tests	Measures whether Metering Systems registered in Central Volume Allocation are having proving tests conducted in a timely fashion. A failed proving test means inaccurate data will enter settlements.
CVA Agent	CM02	CVA MOA Fault Resolution	Measures whether Metering Systems registered in Central Volume Allocation are having faults resolved in a timely fashion. Meter faults may mean inaccurate data will enter settlements.
Supplier	SP01	Delivery of routine performance reports	All expected data from Suppliers that constitutes the Routine Performance Monitoring Report (whether submitted by the Supplier or the Supplier's Agent) must be received within 20WDs after the end of the reporting period. Serial SP01 will be automatically generated by PARMS after the reporting window is closed and will record what data remains missing. It is the responsibility of Suppliers to ensure that data is provided on time.

Supplier	SP02	Delivery of routine performance logs	Periodic checks will be made on PARMs data that has been submitted. These checks will take the form of a request for drill down data to Suppliers, to be provided within 20WDs. Serial SP02 will record where data has not been received within the 20WDs.
Supplier	SP03	Invalid Supplier Hubs	To determine when Suppliers are using a supplier hub combination that is not approved. A Supplier hub is a Supplier - Data Aggregator (DA) - Data Collector (DC) and Meter Operator Agent (MOA).
Supplier	SP04	Installation of HH metering	All 100kW premises should have the appropriate HH metering. Suppliers have 3 months in which to install an HH meter. Failure to install HH metering means large volumes of energy are being inaccurately recorded in settlement per half hour.
Supplier	SP05	Retrospective Appointment of Agents	100% of Supplier Agents (DC, DA or MOA) to be appointed prior to Agent Start Date. This means that Agents must be appointed by the Supplier before the Supplier starts supplying the MPAN using that combination of Agents. The measure is intended to measure where this is not the case as an Agent not appointed will not be processing settlement data.
Supplier	SP06	D0148 flow from Suppliers	A D0148 is a flow that confirms to other Agents in a hub the appointment of a new Agent to a Metering System. This is to ensure that once a Supplier receives an acceptance of an appointment that the Supplier then informs all other Agents.
Supplier	SP07	SMRA & SVAA MSID Count	This is intended to collect data on the number of MSIDs and their related Supplier, DA, Energisation status and other data items. It will be used to see whether the Supplier Meter Registration Agent view (the 'definitive' source for Meter Registration) of what is/who is settling for an MSID is the same as the SVAA (settlements) view.
Supplier	SP08	Energy and MSID on Actuals	The SVAA will provide a report detailing how much energy and how many Metering Systems each HH and NHH Supplier is settling on Actual (as opposed to estimated) data for each Settlement Date, for each Settlement Run type (SF, R1, R2, R3, RF), for each GSP Group. Suppliers have to meet obligations for percentage energy that are detailed within Annex S-1 of the Code.
Supplier	SP09	NHH Defaults	A Metering System settling on a default means that DA has no visibility of the accurate data required to go into settlements and has to apply a default value. The SVAA will provide a report detailing the NHH performance of each Supplier, for each Settlement Date, for each Settlement Run type, for each GSP Group against the performance standards detailed in Annex S-1 of the Code.
Supplier Hub	SH01	HH Data Aggregation Exceptions	An Aggregation Exception report notifies a Supplier that the Data Aggregator has missing or inaccurate data and may affect their ability to submit accurate settlement data into settlements. DAs Send copies of HH Aggregation Exception reports to ELEXON
Supplier Hub	SH02	HH Defaults	This is a measure of where a HH Metering System is settling on a default value (worst case scenario as the DA has no clear data about the Metering System to be able to submit accurate data into settlements).
Supplier Hub	SH03	D0095 Exceptions	A D0095 is a NHH DA exception and indicates that the DA may hold differing information to DC or against SMRA or the Supplier. It may affect the quality of settlements but is a strong indicator of poor data quality within a hub.
Agent	DA01	NHH and HH Aggregated Data for all runs	DA must submit data to SVAA in time for the next settlement run so accurate settlement runs can be conducted. This measures failure to submit data on time.
Agent	DA02	Timely Application of LLF	Line Loss Factors should be applied to HH data as they contribute to more accurate settlement data. If the correct LLF has not been applied then a default (potentially less accurate) LLF will be applied. This measures where default LLFs have been applied.
Agent	NC01	D0023 Exceptions	A D0023 indicates that a data instruction from DA to DC or SMRA has failed and indicates that there is inaccurate data in settlements.

Agent	NC02	Inter hub data transfer DC to DC Meter reads & history	To ensure that old DCs send accurate Metering System data to the new DC within the allotted timescales so the new DC can commence sending accurate data into settlements.
Agent	NC03	NHHDC-NHHDA Meter Read History	To ensure that DC sends accurate Metering System data to the new DA within the allotted timescales so the new DA can commence sending accurate data into settlements.
Agent	HC01	HH Estimates at RF	A HH Meter should rarely be settled on estimated data and it is undesirable to have large volumes of HH energy being settled on estimates at RF. If a HH Meter needs to be estimated there are a series of steps, each reducing in accuracy, by which you can submit data to settlements. This measures where a technique that guarantees no level of accuracy has been used.
Agent	HC02	HH read history to new HHDC	To ensure that old DCs send accurate Metering System data to the new DC within the allotted timescales so the new DC can commence sending accurate data into settlements.
Agent	NM01	NHH Meter Faults: Time taken to resolve	Measures whether NHH Metering Systems registered in Supplier Volume Allocation are having faults resolved in a timely fashion. Meter faults may mean inaccurate data will enter settlements.
Agent	NM02	Provision of Initial/Final reads by NHHMO	The MO should issue all Initial or Final reads to the DC within 10 working days of the read to allow for accurate settlement of a Metering System to begin/end.
Agent	NM03	Provision of NHH METD to NHHDC	A meter can only settle accurately if the correct Metering Equipment Technical Details (METD) are provided to DC. This looks at if the MO passes METD to new DC in a timely fashion.
Agent	NM04	Provision of NHH METD to NHHMO	A meter can only settle accurately if the correct Metering Equipment Technical Details (METD) are provided from old MOA to new MOA. This looks at if the MO passes METD to new MO in a timely fashion.
Agent	HM01	HH Meter Faults: Time taken to resolve	Measures whether Metering Systems registered in Supplier Volume Allocation are having faults resolved in a timely fashion. Meter faults may mean inaccurate data will enter settlements.
Agent	HM02	Provision of Initial/Final reads by HHMO	The MO should issue all Initial or Final reads to the DC within 10 working days of the read to allow for accurate settlement of a Metering System to begin/end.
Agent	HM03	Proving of a Metering System - compare collected data with expected data	Measures whether HH Metering Systems registered in Supplier Volume Allocation are having proving tests conducted in a timely fashion. A failed proving test means inaccurate data will enter settlements.
Agent	HM04	Provision of HH METD to HHDC	To ensure that MOA sends accurate Metering System data to the new DC within the allotted timescales so the new DC can commence sending accurate data into settlements.
Agent	HM05	Provision of HH METD to new HHMO	To ensure that old MOA sends accurate Metering System data to the new MOA within the allotted timescales so the new MOA can confirm accurate data to DC.
Agent	HM06	Quality of D0268	A meter can only settle accurately if the correct HH Metering Equipment Technical Details (METD) are provided to DC. This looks at how many times METD need to be sent before the DC can accurately poll the Meter for data that can be used in settlements.