

Responses from P134 Draft Report Consultation

Consultation issued 24 July 2003

Representations were received from the following parties:

No	Company	File Number	No. BSC Parties Represented	No. Non-Parties Represented
1.	Powergen	P134_DR_001	14	0
2.	Corus Group	P134_DR_002	0	1
3.	ConocoPhillips UK Limited and Immingham CHP	P134_DR_003	2	0
4.	Scottish Power	P134_DR_004	6	0
5.	British Gas Trading	P134_DR_005	1	0
6.	Innogy	P134_DR_006	9	0
7.	First Hydro	P134_DR_007	1	0
8.	Aquila Networks	P134_DR_008	1	0
9.	British Energy	P134_DR_009	3	0
10.	Alcan Smelting and Power	P134_DR_010	0	1
11.	EDF Energy	P134_DR_011	9	0
12.	EdF Trading Ltd and EdF (Generation)	P134_DR_012	2	0
13.	Teesside Power Ltd	P134_DR_013	1	0
14.	Scottish and Southern	P134_DR_014	4	0

P134_DR_001 – Powergen

Respondent:	Powergen UK plc
No. of BSC Parties Represented	Powergen UK plc, Powergen Retail Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy
BSC Parties Represented	14
No. of Non BSC Parties Represented	0
Non BSC Parties represented	
Role of Respondent	Supplier, Generator, Trader and Exemptable Generator

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.	No	<p>We thank the Panel for sending this modification proposal to the Report phase, rather than requiring the TLFMG to assess the proposal for up to 3 months!</p> <p>Nevertheless we cannot agree with the Panel's recommendation to approve P134. Certainty as to whether zonal transmission loss factors should be introduced to the GB market as a whole will only be achieved when the Secretary of State designates the GB BSC. The necessary BETTA legislation will be silent on the treatment of transmission losses and in itself will only be guide as to whether BETTA will go ahead, not whether particular market rules should, or should not be applied.</p> <p>Delay in the implementation for BETTA may take place, or it may not be introduced at all. Many of those that strongly lobbied against the introduction of zonal transmission losses in England and Wales, would clearly love the project to be abandoned. What if they are successful?</p> <p>Is it right to forgo the benefits in terms of competition and efficiency that zonal transmission loss factors will bring to England and Wales based on something that may or may not happen? The DTI could even alter its 'minded to' decision on GB zonal transmission losses.</p>

Q	Question	Response	Rationale
			<p>The P134 Draft Modification Report is short on cost-benefit analysis. There are no figures for example stating how much has been spent so far by Elexon on P82 implementation and indeed how much might be spent by Elexon if Ofgem were to approve the proposal by the end of August 2003 (the earliest possible decision date).</p> <p>If much of the costs have already been incurred, they must be considered as sunk costs and one might as well continue to implement P82, to obtain its benefits for a year (or more if BETTA were to be delayed).</p>
2.	<p>Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.</p>	Yes	
3.	<p>Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.</p>	Yes	
4.	<p>Are there any further comments on P134 that you wish to make?</p>	Yes	<p>Like the Panel we do not believe Ofgem can realistically make a decision now to approve P134, on the basis of the level of certainty or rather uncertainty provided by the DTI 'minded to' decision.</p> <p>To however, provide the market with certainty as to the arrangements for transmission losses in England and Wales from 1 April 2004, we would urge Ofgem to quickly reject P134 rather than delay its [approval] decision to a point in time when there is a high degree of certainty as to the form of the GB market rules (i.e. when the contents of the GB BSC have been finalised).</p> <p>In addition the Draft Modification Report on the rationale for the Panel's decision implies that Ofgem chose to approve P82 on grounds of its wider statutory duties. Although Ofgem did take account of its</p>

Q	Question	Response	Rationale
			wider statutory duties in its P82 decision it is apparent from their decision letter that it was not these wider duties alone that resulted in Ofgem deciding to go against the Panel's recommendation. <u>Ofgem concluded that P82 did indeed better facilitate Applicable BSC Objectives (a), (b) and (c).</u> We would request that the last paragraph of section 2 is changed so that it doesn't incorrectly imply on what basis Ofgem made its P82 decision.

P134_DR_002 – Corus Group

Corus did not support P82, particularly because we did not believe that the Applicable BSC Objectives would be bettered in respect of demand. As one of the alleged benefits of zonal losses is the provision of economic signals to locate or relocate, surely it would not be sensible for these to apply for such a short period before they disappeared when BETTA is introduced. Moreover, even if BETTA is delayed until say April 2006, it would still be counter-productive for locational signals to apply in the intervening period. We therefore strongly support P134 and urge the panel to recommend it to Ofgem.

P134_DR_003 – ConocoPhillips

Respondent:	<i>Rekha Patel</i>
No. of BSC Parties Represented	2
BSC Parties Represented	ConocoPhillips UK Limited and Immingham CHP
No. of Non BSC Parties Represented	
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>Generator and Trader</i>

	Question	Response	Rationale
--	----------	----------	-----------

	Question	Response	Rationale
1.	Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.	Yes	ConocoPhillips notes and welcomes the BSC Panel's decision to go directly to report stage with a recommendation to accept P134. Given that the government has clearly indicated that it does not intend to rollout P82 to Scotland with the commencement of BETTA, we support the attempt by British Energy to bring about early rectification of the BSC in the form of P134.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The defect being addressed is the removal of P82 from the BSC. The Panel requesting the deletion of all references associated with average zonal transmission losses is the appropriate method.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.	Yes	It is vital to ensure that the unnecessary expenditure associated with the implementation of P82 is halted as soon as possible thus supporting the implementation date of 2 working days after the Authority's decision on P134.
4.	Are there any further comments on P134 that you wish to make?	Yes	As a consequence of P134 not receiving the justified 'urgent' status, the perceptions of regulatory risk in the market are consequence unacceptable and needlessly high.

P134_DR_004 – Scottish Power

Respondent:	<i>David Finnigan</i>
No. of BSC Parties Represented	6
BSC Parties Represented	<i>Scottish Power UK plc; ScottishPower Energy Management Ltd.; ScottishPower Generation Ltd.; ScottishPower Energy Retail Ltd.; SP Transmission Ltd.; SP Manweb plc.</i>
No. of Non BSC Parties Represented	0
Non BSC Parties represented	<i>N/A</i>
Role of Respondent	Supplier / Generator / Trader / Consolidator / Exemptable Generator / Party Agent

Q	Question	Response	Rationale
----------	-----------------	-----------------	------------------

Q	Question	Response	Rationale
1.	<p>Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.</p>	Yes	<p>ScottishPower agrees wholeheartedly with the Panel's views on P134 and its recommendation to the Authority that the Modification should be made. The position, which the Authority has set out regarding BETTA, is unsatisfactory. On the strength of the Government's public commitment to implementing BETTA on 1 April 2005 the industry, with Ofgem's encouragement, are committing significant expenditure, which, in the case of participants' costs, will not necessarily be recoverable. For Ofgem to insist at the same time that the industry should invest in systems to handle zonal transmission losses in England and Wales which will, on the strength of a Government statement, be used only for one year seems at odds with Ofgem's statutory duty to protect customers. Furthermore, the decision not to grant urgent status to P134, which appears to be in conflict with both the first and the third of the Authority's criteria for granting urgent status quoted in the DMR, has allowed the commitment of nugatory expenditure on zonal transmission losses to be continued for longer than was necessary or sensible. We fully support the Panel's recommendation that Modification P134 be made and seek a swift decision from the Authority in order that further waste of resources can be avoided.</p>
2.	<p>Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.</p>	Yes	<p>The legal text provided in the draft modification report appears to correctly address the defect identified in the Modification Proposal.</p>
3.	<p>Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.</p>	Yes	<p>We believe that the Modification should be implemented as soon as possible after the Authority decision is received and agree that two working days is appropriate.</p>
4.	<p>Are there any further comments on P134 that you wish to make?</p>	No	<p>We have not identified any impacts other than those highlighted in the draft modification report.</p>

P134_DR_005 – British Gas Trading

Modification Proposal 134: The Halting of Unnecessary and inefficient work and expenditure associated with approved BSC modification P82

Thank you for the opportunity to comment on this modification report. British Gas Trading support this proposal. We believe that in light of the DTI's findings on the applicability of average zonal transmission losses the most efficient course of action is to halt all work and expenditure on the implementation of P82.

One of the principle benefits of average zonal losses was that it would introduce locational signals that would influence the siting decisions of generation and demand. These cost reflective signals would only be achieved over a long-term application of zonal transmission losses. We do not believe it is possible for these benefits to be realised within the year that would elapse between the implementation of P82 and the proposed implementation of BETTA in April 2005.

We also note that locational signals are currently available to generation and demand through NGC's charging methodologies for TNUoS. In our view, this provides sufficient cost reflective signals to encourage the correct siting decisions for generation and demand.

With this in mind, we believe the efficient operation of the BSC can be best served by halting the significant expenditure on the development of P82 systems, processes and documentation. This is also true for BSC Parties. Furthermore, the DTI decision will disadvantage Elexon in their negotiations with any agency that will provide the Transmission Loss Factor Agent services. This will lead to higher costs for all industry participants and potentially damage competition.

Bearing in mind the ongoing and cumulative costs of P82 implementation we trust that the Authority will make an expedient decision.

Yours faithfully

Danielle Lane

P134_DR_009 – Innogy

Respondent:	<i>Name Bill Reed</i>
No. of BSC Parties Represented	9
BSC Parties Represented	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant). Innogy plc, Innogy Cogen Limited, Innogy Cogen Trading Limited, Npower Limited, Npower Direct Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Yorkshire Limited, Npower Yorkshire Supply Limited.</i>
No. of Non BSC Parties Represented	0
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	<i>(Supplier/Generator/ Trader / Consolidator / Exemptable Generator / BSC</i>

	<i>Agent / Party Agent / other – please state) Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent</i>
--	---

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.	No	We do not believe that the proposed modification better facilitates the BSC objectives.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The proposed legal text removes the P82 legal text.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.	Yes	If approved, then P134 should be implemented as soon as practicable.
4.	Are there any further comments on P134 that you wish to make?	No	No

P134_DR_007 – First Hydro

Respondent:	<i>Libby Glazebrook</i>
No. of BSC Parties Represented	One
BSC Parties Represented	<i>First Hydro Company</i>
No. of Non BSC Parties Represented	
Non BSC Parties represented	<i>None</i>
Role of Respondent	<i>Generator</i>

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.	No	The Authority has made clear the point at which BSC Modifications can be considered on a GB wide basis. P134 is a contingent modification until there is the required certainty that BETTA will be implemented. P134 does not relate to the current version of the BSC Code, it will become relevant when the BETTA bill receives its second reading.

Q	Question	Response	Rationale
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes / No	No comment
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.	Yes	If the modification is approved by the Authority, it is sensible to halt any further expenditure on Mod P82 as soon as possible.
4.	Are there any further comments on P134 that you wish to make?	Yes	<p>Consideration needs to be given to the amount of costs already sunk into the implementation of P82. The P134 Modification Report notes that £160k of the £670k budget had been spent by the July Panel meeting. Since then, the TLFA and the model reviewer have been appointed. Are there termination costs associated with these contracts?</p> <p>An update on the costs to date and any termination costs should be provided at the August BSC Panel meeting. If a substantial sum has been incurred already and there are termination costs, then the argument that implementing P134 will avoid unnecessary costs being incurred is considerably weakened.</p>

P134_DR_008 – Aquila Networks

Please find that Aquila Networks Plc response to P134 Consultation on draft Modification Report is 'No Comment'.

regards
Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

P134_DR_009 – British Energy

Respondent:	<i>Name</i> British Energy Power & Energy Trading Ltd
No. of BSC Parties Represented	3
BSC Parties Represented	<i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant)</i> British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd
No. of Non BSC Parties Represented	0
Non BSC Parties represented	<i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>
Role of Respondent	BSC Party

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.	Yes	British Energy strongly supports and agrees the Panel's provisional recommendation that P134 should be made. Rationale for this is as set out in the modification proposal and repeated and developed at the BSC Panel meeting of 10 th July 2003, namely that in the light of the minister's 'minded to' statement P134 better facilitates Applicable Objectives (b) (d) and (e). One of the reasons why a majority of the Panel did not recommend P75/82 to the Authority was the lack of a clearly demonstrated cost-benefit even as an enduring change. On the evidence available, there can be no doubt that if P82 is implemented for only one or a few years, no cost-benefit has been demonstrated, and P134 will prevent unnecessary costs being incurred both centrally and by participants..
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The legal text has the effect of unwinding the changes to introduce P82 and therefore is entirely consistent with the aims of P134.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.	Yes	An early decision to halt work on P82 is necessary if unnecessary and inefficient expenditure is to be avoided and for the industry to enter into the forthcoming contracting rounds with certainty.

Q	Question	Response	Rationale
4.	Are there any further comments on P134 that you wish to make?	Yes	We believe that significant weight should be placed on the Secretary of State's 'minded to' statement. It should and did have a heavy bearing on the Panel's decision to recommend implementation of P134 given the reasonable certainty that the existing Balancing and Settlement Code will evolve into the GB Code. We are surprised that the Authority considers a "minded to" decision by the DTI as insufficient cause to justify urgent status, particularly while the Authority suggests elsewhere (P109 decision) that its own previously expressed views on locational loss charging should have allowed parties to anticipate such changes.

P134_DR_010 - Alcan Smelting and Power

Respondent:	Jonathan Scott
No. of BSC Parties Represented	0
BSC Parties Represented	
No. of Non BSC Parties Represented	1
Non BSC Parties represented	Alcan Smelting and Power UK
Role of Respondent	other – Licence Exempt Generator

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.	Yes	Alcan strongly agrees with the Panel's views on Modification Proposal 134, and in particular regarding the weighting that should be given to the Secretary of State's 'minded to' statement on GB-wide AZTLs. Under the current legislative circumstances this is the clearest of indications that can be given by the Government in relation to the transmission arrangements under BETTA, and should be considered a strong signal of intent that the changes made by Modification P82 will not be included in a GB Balancing And Settlement Code under BETTA. Following this statement and without approval of Modification Proposal P134 AZTLs

Q	Question	Response	Rationale
			<p>would be likely to be implemented for a period of 12 months. One of the <i>alleged</i> benefits of AZTLs is to provide locational signals for generation and demand. This is highly questionable over the longer term and impossible within the shorter period.</p> <p>Alcan believes that Modification Proposal P134 better facilitates Applicable BSC objectives (b), (d), and (e), relating to the efficient operation of the Transmission System, implementation of Balancing and Settlement Arrangements, and the timely and effective implementation of BETTA. The modification would remove the need for unnecessary, unjustifiable and inefficient costs associated with P82 (and P125).</p>
2.	<p>Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.</p>	Yes	
3.	<p>Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.</p>	Yes	<p>The BSCCo, BSC Parties and Non-BSC parties are in the process of preparation for Modification P82. Modification P134 should be implemented at the earliest possible opportunity to reduce associated costs.</p> <p>Approximately 75% of the BSCCo budget for implementation of P82 remains unspent and the BSCCo has yet to appoint a TLFA. Parties have estimated the costs of P82 as up to £1 million.</p> <p>Alcan is concerned that the Authority's decision not to grant P134 urgent status, and signals that a decision on the modification will be delayed until a further reading of BETTA legislation, would result in many of these costs being incurred unnecessarily.</p> <p>Early implementation of P134 would result in significant cost savings for the industry as a whole.</p>

Q	Question	Response	Rationale
4.	Are there any further comments on P134 that you wish to make?	Yes	Alcan submitted responses to consultations on P75, P82, P125, and the DTI consultation on GB-wide Transmission Losses. The comments within these responses remain valid, not least the concern that Zonal Transmission Losses fail to bring any tangible benefit to the system as a whole and lead only to an inequitable transfer of costs rather than cost savings.

P134_DR_011 – EDF Energy

Respondent:	Rupert Judson
No. of BSC Parties Represented	9
BSC Parties Represented	Jade Power Generation Ltd; EPN Distribution Limited; London Energy Plc; EDF Energy Plc; EDF Energy Networks (LPN) plc; Seeboard Power Networks plc; SEEBOARD Energy Limited; EDF Energy (Sutton Bridge Power) Ltd; EDF Energy West Burton Power Ltd.
No. of Non BSC Parties Represented	None that we consider applicable.
Non BSC Parties represented	N/A
Role of Respondent	Supplier / Generator / Party Agent / Distribution Business

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.	Yes	<p>EDF Energy agrees with the Panel's view that Modification P134 should be made.</p> <p>Although no legislation has yet been introduced or passed relating to BETTA, it is clear that there is a significant commitment on the part of the Department of Trade and Industry (DTI) and Ofgem, and indeed throughout the industry, to the development and implementation of BETTA. Therefore, we consider that the DTI's "minded to" decision on GB-wide losses can be taken as a very strong indication of the likely GB BSC baseline under BETTA.</p> <p>Analysis of Modification P82, provided by NERA and Campbell Carr during the assessment process and by Oxera on behalf of the DTI, has shown that the benefits of a zonal transmission losses scheme are inherently long term. Indeed, the intent of</p>

Q	Question	Response	Rationale
			<p>the original modification proposal was:</p> <p style="padding-left: 40px;">“the introduction of <i>long term</i> signals for the siting of generation and demand”.</p> <p>Clearly, therefore, the introduction of this modification for just one year until BETTA Go-live would not allow appropriate time for the intended benefits of the modification to be realised.</p> <p>However, the majority of the costs, both central and participant, associated with implementing P82 are significant and short term. It is not therefore economically efficient to allow the continued implementation of this modification now that its long term benefits are unlikely to be achieved.</p> <p>We therefore believe that Modification P134, by removing the changes introduced by P82 from the BSC, better achieves Applicable BSC Objectives (b): The efficient, economic, and co-ordinated operation by the Transmission Company of the Transmission System, and (d): Promoting efficiency in the implementation and administration of the balancing and settlement arrangements. The objectives are better achieved by P134 as it would prevent further unnecessary expenditure on the implementation of P82 and would remove a modification that would be inefficient and costly to the whole industry.</p>
2.	<p>Do you agree with the Panel’s view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.</p>	Yes	<p>EDF Energy agrees with the Panel’s view that the legal text correctly addresses the defect identified by Modification P134.</p> <p>The removal of zonal transmission losses arrangements from the BSC, resetting the Transmission Loss Factor (TLF) back to zero for all BMUs, will correctly address the defect identified by Modification P134 and will lead to the requirement to immediately cease any expenditure associated with the implementation of P82.</p>

Q	Question	Response	Rationale
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.	Yes	EDF Energy agrees with the Panel's provisional recommendation that P134 should be implemented two days after a decision is received. Given that costs are currently being unnecessarily and inefficiently incurred by industry participants and Elexon in the implementation of P82, we believe that P134 should be implemented as soon as possible to minimise the exposure of all concerned to these unnecessary costs – which will ultimately be paid for by consumers. In addition, we would urge Ofgem to make a prompt decision on this modification for the reasons outlined above.
4.	Are there any further comments on P134 that you wish to make?	Yes	EDF Energy notes the potential interaction of this modification with Modification P125. If P125 is approved and implemented before a decision is received on P134, then the legal text for P134 will relate to a BSC baseline which is different from that which is then in effect.

P134_DR_012 – EdF Trading Ltd and EdF (Generation)

Respondent:	<i>Name Steve Drummond</i>
No. of BSC Parties Represented	2
BSC Parties Represented	<i>EdF Trading Limited and EdF (Generation)</i>
No. of Non BSC Parties Represented	
Non BSC Parties represented	<i>N/a</i>
Role of Respondent	<i>Trader and Generator</i>

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.	Yes	Whilst we support the concept of putting in a Transmission Losses Scheme as proposed under P82, it does seem to us to be a nonsense to spend millions of pounds on implementing P82 when the SoS is minded not to implement such a scheme under BETTA.

Q	Question	Response	Rationale
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.	Yes	
4.	Are there any further comments on P134 that you wish to make?	No	

P134_DR_013 – Teesside Power Ltd

Respondent:	<i>Keith Miller</i>
No. of BSC Parties Represented	1
BSC Parties Represented	Teesside Power Limited
No. of Non BSC Parties Represented	0
Non BSC Parties represented	N/A
Role of Respondent	Generator

Q	Question	Response	Rationale
1.	Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.	Yes	The statement by the Secretary of State that the government is not minded to approve a GB BSC which includes zonal transmission loss charges is a clear indication that the P82 changes would operate for no more than 12 months. On this basis, it is inefficient for the industry to incur the costs of implementation of P82 when any benefit from the twelve month period of operation will be at best minimal.
2.	Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.	Yes	The draft legal text removes the need to continue with the implementation of P82, thereby removing the defect identified.
3.	Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.	Yes	In order to maximise the benefit of P134, it is necessary to cease incurring costs as soon as possible following the decision by Ofgem: the period recommended by the Panel is consistent with this objective.

Q	Question	Response	Rationale
4.	Are there any further comments on P134 that you wish to make?	No	

P134_DR_014 – Scottish and Southern

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

In relation to the four questions listed in the Consultation Paper, contained within your note of 24th July 2003 concerning Modification Proposal P134, we have the following comments to make:-

Q1 Do you agree with the Panel's views on P134 and the provisional recommendation to the Authority contained in the draft Modification Report that P134 should be made? Please give rationale.

Yes. We believe that Modification Proposal P134 should be made. For the avoidance of doubt, we agree with the comments attributed to the Proposer and the Panel in Section 2 of the Consultation Paper in support of Modification Proposal P134 being made.

Following the clear statement from the Department of Trade & Industry, in respect of zonal losses, on 27th June 2003, it is clear that zonal losses will not be included in BETTA Go-Live. Given the considerable resources (and associated costs) that Ofgem, Elexon, the DTI, Parliament and market participants are committing to prepare for BETTA Go-Live from April 2005, it is clear that the work (and associated costs) surrounding the implementation of Modification Proposal P82 will only last for a maximum of one year; i.e. April 2004 to March 2005.

Given the Ofgem cost/benefits analysis associated with zonal losses, and the Elexon cost/benefits analysis associated with Modification Proposal P82, it is clear that the considerable costs will not be outweighed by the benefits over such a short; i.e. one year; period. Given this it is now appropriate that all work associated with Modification Proposal P82 be halted at the soonest possible moment.

In regard to the comments made concerning the "minded to" statement from the Department of Trade & Industry, we believe this statement provides as sufficient a degree of certainty of BETTA happening as those other statements published Government, in respect of BETTA, and upon which considerable expenditure is being spent by Ofgem, Elexon and market participants to prepare for BETTA Go-Live. We expect that the Panel and the Authority will give due regard to the comments made by a representative of the DTI (at the request of the BSC Panel Chairman) to the July Panel meeting, with regard to what "minded to" meant, namely that the department believe that "minded to" is a definite indication that this is their intention; i.e. that BETTA will happen in the timescales indicated by the Government and signed onto by the Authority.

In respect of the comments attributed to the Authority in Section 1.6 of the Consultation Paper; that the BETTA arrangements have not yet attained a sufficient degree of certainty to enable it to influence the progression of Modification Proposals through the Modification Procedures set out under the Code; how is this to be reconciled with the Authority's approval of Modification Proposal P108, which is entitled "Modification to enable BSCCo to prepare for the implementation of British Electricity Trading and Transmission Arrangements (BETTA)"?

In the light of recent developments it appears that the time may now be right for the Authority to now review the legal advice it received prior to issuing its 17th January 2003 letter.

Q2 Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal? Please give rationale.

Yes. The essence of the draft legal text (to return the Code to its pre Modification Proposal P82 state) appears correct.

Q3 Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P134? Please give rationale.

We agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in the Modification Report. Two working days is appropriate given the significant financial impact that any delay would have.

Q4 Are there any further comments on P134 that you wish to make?

We have no further comments at this time.

regards

Garth Graham
Scottish and Southern Energy plc