

July 2002

**MODIFICATION REPORT -
MODIFICATION PROPOSAL P62
Changes to Facilitate Competitive Supply on
the Networks of New Licensed Distributors**

Prepared by ELEXON on behalf of the Balancing
and Settlement Code Panel

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0.3	12/07/02	Panel		Panel Decision
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b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	energywatch
Core Industry Document Owners	Various

c Intellectual Property Rights and Copyright

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d Related Documents

The following documents are referenced from within this document using the following convention [RD/x]:

- 1 Modification Proposal P62 - Requirements Specification – Version 1.0, 25 April 2002
- 2 Modification Proposal P62 – Assessment Report – Version 1.0, 07 June 2002

II CONTENTS TABLE

I	Document Control	2
a	Authorities	2
b	Distribution	2
c	Intellectual Property Rights and Copyright.....	2
d	Related Documents.....	2
II	Contents Table	3
1	Summary and Recommendations	4
1.1	Recommendation.....	4
1.2	Background.....	4
1.3	Rationale for Recommendations	4
2	Introduction	5
3	History of Modification Proposal	5
4	Description of Modification Proposal	6
4.1	Background.....	6
4.2	Modification Proposal P62	7
4.3	Relation to Modification Proposal P70.....	8
5	Rationale for Panel Recommendations	9
6	Legal Text to Give Effect to the Modification Proposal	11
7	Assessment	11
7.1	Overview of Proposed Changes	11
7.2	Impact Assessment.....	13
7.3	Implementation Issues.....	14
7.4	VAMG Assessment	14
8	Summary of Representations	15
	Annex A – Proposed Text To Modify BSC	16
	Annex B – P62 Representations	16

1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment Procedure, and the resultant findings of this report, the BSC Panel recommends that:

The Modification Proposal P62 should be made with an Implementation Date of 01 August 2003, if an Authority decision is received by 01 September 2002, and an Implementation Date of 30 June 2004 if an Authority decision is received after 01 September 2002 and before 30 June 2003.

The BSC Panel further noted that, in its view, a combination of both Modification Proposal P62 and Modification Proposal P70 would provide a better technical solution and would better facilitate achievement of the Applicable BSC Objectives.

1.2 Background

Modification Proposal P62 'Changes to Facilitate Competitive Supply on the Networks of New Licensed Distributors' was submitted on 03 January 2002 by TXU UK Ltd.

Following commencement of parts of the Utilities Act 2000 on 1 October 2001, distribution of electricity is now a distinct licensable activity and, as a result, entities other than a Public Distribution System Operator (PDSO) may be obliged, or choose, to obtain Distribution Licences. This creates a requirement for new licensed distributors to be able to join the Balancing and Settlement Code (BSC), the Master Registration Agreement (MRA), and where appropriate comply with the Settlement Agreement for Scotland (SAS).

P62 proposes that multiple distributors may operate within each of the existing GSP Groups, and that each distributor is serviced by its own, single, Supplier Meter Registration Service (SMRS).

1.3 Rationale for Recommendations

The unanimous view of the Panel was that P62 would promote effective competition in supply (Applicable BSC Objective (c)), by facilitating competition in supply on the networks of new licensed distributors in a manner consistent with the BSC's treatment of existing networks, and in a manner consistent with the intent of the Utilities Act 2000 and the standard licences.

The majority of respondents to the subsequent consultation expressed support for the Panel's recommendation.

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC website, at www.elexon.co.uk.

3 HISTORY OF MODIFICATION PROPOSAL

Following commencement of parts of the Utilities Act 2000 on 1 October 2001, distribution of electricity is now a distinct licensable activity and, as a result, entities other than a Public Distribution System Operator (PDSO) may be obliged, or choose, to obtain Distribution Licences. This creates a requirement for new licensed distributors to be able to join the Balancing and Settlement Code (BSC), the Master Registration Agreement (MRA), and where appropriate comply with the Settlement Agreement for Scotland (SAS).

Initially the impact of these changes was considered by the Distribution Business Focus Group (DBFG), an industry group established under the MRA Executive Committee (MEC). The DBFG examined a number of options for amending industry documents and systems to support new licensed distributors. Following consultation with Parties to the MRA and the BSC, the DBFG recommended an approach referred to as Option 7.

TXU UK Ltd raised P62 on 03 January 2002 in order to progress the BSC aspects of DBFG Option 7 under BSC governance.

P62 was initially progressed under the Definition Procedure and a consultation performed to seek views on the previous DBFG work and the DBFG recommendation for Option 7. The Volume Allocation Modification Group (VAMG) and the consultation responses both supported this recommendation. At the Panel meeting on 14 March 2002 P62 was submitted to the Assessment Procedure, with the completed Assessment Report to be presented to the Panel meeting on 13 June 2002.

The VAMG met three times during the Assessment Procedure to consider P62. A Requirement Specification for P62 was produced and sent out for both consultation and impact assessment. The results of these were used to construct the Assessment Report, which recommended that P62 be made.

The Panel considered P62 at their meeting 13 June 2002 and agreed with the VAMG that P62 would better facilitate achievement of the Applicable BSC Objectives. The Panel also determined that P62 should be submitted to the Report Phase, with the completed draft Modification Report to be presented to the Panel meeting on 18 July 2002.

A draft Modification Report was prepared and sent to Parties on 25 June 2002 for consultation by 04 July 2002. Subsequently the draft Modification Report has been

amended in the light of the representations received, together with a summary of those representations.

At the Panel Meeting 18 July 2002 the draft Modification Report and consultation responses were discussed. The Panel reaffirmed (unanimous view) their original recommendation that the Proposed Modification should be made and determined that the draft Modification Report should be sent to the Authority.

4 DESCRIPTION OF MODIFICATION PROPOSAL

P62 is part of a larger initiative to make changes to core industry documents and systems to allow new licensed distributors to fulfil their obligations and participate within the electricity industry, in line with the changes introduced by the Utilities Act 2000. Other, non-BSC, areas of this initiative are being progressed by groups, such as the DBFG who were originally responsible for the determining the industry approach, commonly referred to as Option 7.

The necessary changes are complex and costly and many aspects are occurring outside the BSC. This section provides a brief description of P62. Further details on the background to the requirements and proposed changes are contained in the P62 Requirements Specification [RD/1] and details on the impact of these changes are then contained in the P62 Assessment Report [RD/2].

4.1 Background

At present the only licensed distributors in England and Wales are the 12 PDSOs. This factor is a key feature in the design of Stage 2 Settlement, or Supplier Volume Allocation (SVA), within the BSC.

The original SVA systems (Supplier, Supplier Agent, SMRS and BSC Agent Systems) were designed within an environment where each of the PDSOs would be associated with one and only one GSP Group, and where the relationship between individual distribution assets or networks and the owning PDSO would not be required to change. In addition the profiling of non-half hourly customers was designed against a background of large GSP Groups.

The design decisions made at that time now place certain limitations on how new licensed distributors can be incorporated into the existing systems and processes, particularly the data structures.

Unlicensed distribution networks can also be handled in one of two ways at present:

- a single point of connection at the boundary between the Public Distribution System and the unlicensed distribution network is recorded in SMRS but none of the individual entry and exit points are recorded; or
- the unlicensed network can be "adopted" by the PDSO and treated for settlement and registration purposes as part of the Public Distribution System. The PDSO would record all of the entry and exit points in SMRS, and the network would therefore be open to competitive supply.

The BSC does not explicitly describe such configurations and all agreements between the two distributors to provide such a service are bilateral, with all BSC obligations remaining

on the PDSO, the only required Party to the BSC. Neither of these approaches was considered by the DBFG to be sufficient for the handling of new licensed distributors.

These issues were initially discussed within DBFG prior to P62 being raised and a number of different solutions or options were considered. As a result of an industry consultation the preferred approach was Option 7, which was considered to minimise the level of change, whilst still allowing the networks of new licensed distributors to be operated in the same manner as those operated by existing PDSOs.

This solution does not involve the creation of new GSP Groups and also maintains a direct link between the first two digits of the Metering Point Administration Number (MPAN) and distributor, a key requirement for the majority of respondents.

However, it was also recognised that, without significant structural change, any solution could only work within the limitations imposed by the existing data structures and flows. All approaches would involve some compromises. In the case of Option 7 there would be limitations on the ability to trade partial distribution networks or assets and an inability to easily identify the geographical location of a distribution network directly from the MPAN.

In addition, it was recognised that the proposed solution was only designed to meet the current requirements for new licensed distributors, it does not attempt to take into account changes in the way licensed distributors may operate, or any other future requirements.

4.2 Modification Proposal P62

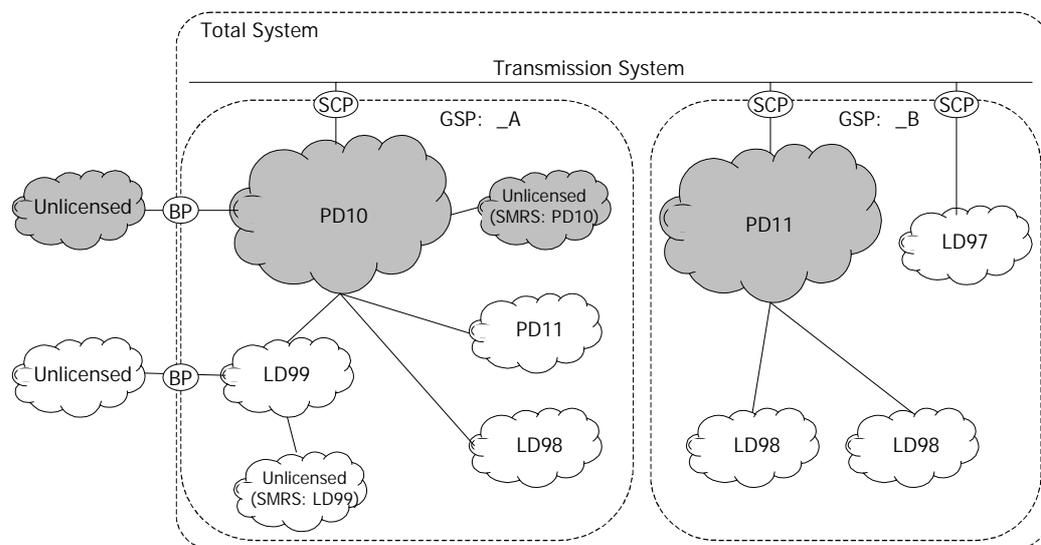
P62 was raised to consider the BSC aspects of Option 7, The key features of P62 and DBFG Option 7 can be summarised as:

1 distribution business equals 1 SMRS, without the introduction of new GSP Groups.

This means there would no longer be a 1-1 relationship between a distributor, its SMRS and GSP Group. The 1-1 relationship would remain between the Distributor and its SMRS, however, there would be a many-to-many relationship between these two entities and the GSP Group.

Figure 4.1 shows a number of example distribution networks, both under the existing arrangements (shaded) and proposed P62 arrangements (clear). The figure shows the potential for new distribution networks to be operated by new licensed distributors, PDSOs operating outside their current Distribution Services Area, and also unlicensed distributors.

Figure 4.1 – Example New Licensed Distributors and Distribution Systems



It should be noted that under P62 there would be five logical SMRS for such a configuration, one for each of the licensed distributors (PD10, PD11, LD97, LD98 and LD99). In addition there would be five sets of MPAN, each starting with a different two digits, in our example these may be 10, 11, 97, 98 & 99.

The key points to note about figure 4.1 and the potential networks are:

- a new licensed distributor (LD98) may operate in multiple GSP Groups (i.e. _A and _B) and may also have multiple Distribution Systems in the same GSP Group (i.e. as in _B), each of which is independently connected to the existing PDSO;
- it is also possible for an existing PDSO (i.e. PD11) to operate in GSP Groups (i.e. _A) other than its own (i.e. as covered by its Distribution Services Area);
- a new licensed distributor (LD99) may “adopt”, or connect to, one or more unlicensed distribution networks in the same way as a PDSO can do now;
- a new licensed distributor (LD97) may decide to directly connect their Distribution System to the Transmission System. Although consideration of directly connected networks was excluded from P62, the VAMG recognised they needed to consider this one aspect in order to control if and when a new GSP Group may be required;

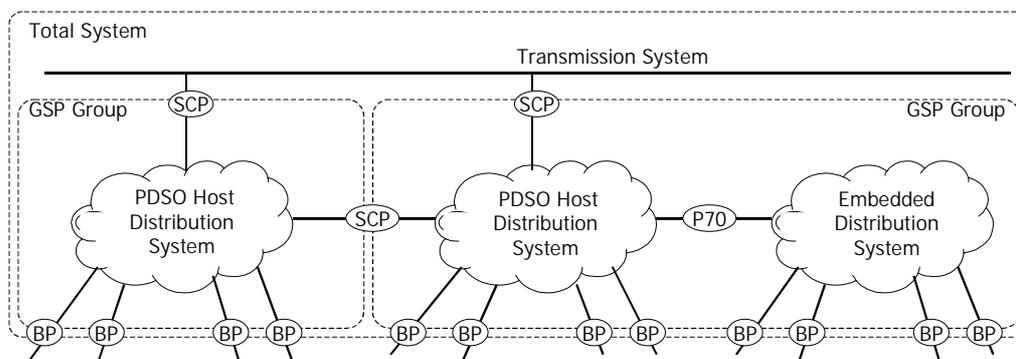
Not all of these combinations may occur, and it is unclear exactly how many new licensed distributors, or distribution networks there will be. However, the BSC needs to recognise all the possible options that may occur, and hence P62 must be sufficiently flexible to cope.

4.3 Relation to Modification Proposal P70

One of the key features of P62 is that for the purposes of SVA, the new Distribution Systems can be seen as extensions to the networks operated by the PDSO. All the meter readings for the current Public Distribution System, and any other Distribution Systems within the same GSP Group, are all aggregated together allowing the operation of the GSP Group Correction Factor to continue to apportion errors across a large number of Non Half Hourly metering systems.

A feature of this is that for the purposes of settlement there is no requirement for a meter between two Distribution Systems within the same GSP Group. In Figure 4.2 such a point is labelled as "P70". The current BSC only allows meters at System Connection Points (SCP) or Boundary Points (BP) to be recorded in the Central Meter Registration Service (CMRS).

Figure 4.2 – P70 Example



As a meter is not required for settlement, it was not included in the original scope of P62. However, it was also recognised that such a meter may have indirect benefits to settlement (improved data quality), and would certainly be useful to the distributors concerned. Hence SEEBOARD raised P70 to propose that, where Metering Equipment is installed at such points, one of the distributors may elect to have it registered in CMRS and have the data collected by the Central Data Collection Agent (CDCA). The effect of this would be that the rights and obligations in respect of the Metering Equipment and data collection would be the same as any other meter registered in CMRS.

Although P70 is not part of this Modification Proposal, and hence this report, a number of consultation responses during the Assessment Procedure made their support for P62 conditional on P70 being approved.

5 RATIONALE FOR PANEL RECOMMENDATIONS

The Panel and VAMG, recognised that P62 was raised in order facilitate competition in supply on the networks of new licensed distributors, as required by the Utilities Act 2000. The Panel also agreed with the VAMG that some changes were necessary within the industry and that, although it was a costly initiative, P62 represented the optimal level of change. As a result of P62, customers on the networks of new licensed distributors would be able to choose their Supplier, with the settlement of energy governed by the BSC.

The Panel recognised that a minority (47%) of consultation responses believed that P62 on its own was sufficient to better facilitate achievement of the Applicable BSC Objectives and that a number of respondents qualified their support, believing the optimal solution was a combination of P62 and P70. Considered as a pair the majority (65%) of respondents believed P62 and P70 together would better facilitate achievement of the Applicable BSC Objectives.

The Panel agreed that a combination of P62 and P70 would provide a better technical solution.

The Panel agreed (unanimous view) that P62 would promote effective competition in supply (Applicable BSC Objective (c)), by facilitating competition in supply on these new

networks in a manner consistent with the BSC's treatment of existing networks, and in a manner consistent with the intent of the Utilities Act 2000 and the standard licences.

At the Panel Meeting 18 July 2002 the draft Modification Report and consultation responses were discussed. The majority of responses supported the Panel's recommendation that Modification Proposal P62 should be made. No new substantive arguments were made.

The Panel noted two late additions to previously received responses¹. These expressed concern on the overall industry cost. One also suggested that it would be prudent to allow the interim arrangements to operate for a while, to see if they would be sufficiently fit for purpose. If experience shows that they are not, consideration should then be given to the sophisticated solution proposed under P62.

The Panel recognised the concerns over the cost and provision of a solution prior to the Implementation Date of P62, but also recognised that at present no formal interim solution exists. During the early investigation performed by the DBFG, other solutions had been considered, including Option 1A which was the basis for one of the approaches being considered as an interim. At that time it was recognised such a solution was not considered a suitable enduring solution. Subsequent investigation has also shown that a solution based on "fostering" introduces a range of difficult commercial, legal and safety issues to be bilaterally agreed. Option 7, as proposed in P62, was considered by DBFG, and has been reaffirmed during the Modification process, to represent a least cost feasible solution.

The Panel also considered the concerns in one of the consultation responses about distribution charges, Distribution Use of System (DUoS) and Line Loss Factor (LLF) calculation. The Panel recognised that these were not matters for the BSC and hence Modification Proposal P62. The issues are being considered within the DBFG, and the distribution business representative agreed this was the appropriate place. Furthermore the Panel recognised that during the Definition Procedure it had been made clear that such areas would be outside the scope of P62.

The Panel reaffirmed (unanimous view) their original recommendation that the Proposed Modification should be made and determined that the draft Modification Report should be sent to the Authority.

¹ See P62_MR_006a and P62_MR_007a in Annex B

6 LEGAL TEXT TO GIVE EFFECT TO THE MODIFICATION PROPOSAL

The changes to the legal text of the Code are contained in Annex A and are made against the version identified in table 6.1.

These changes are the changes necessary to implement the Proposed Modification only. If the baseline of the Code changes prior to implementation of the Proposed Modification, or if other Modification Proposals are to be implemented at the same time as the Proposed Modification, the legal text may need to be amended.

In addition this is a complex modification, with many areas of the overall initiative being developed outside the BSC. As a result of the continued development of this initiative, and the detailed design of P62 changes, it may be necessary to raise further consequential Modification Proposals, prior to the proposed Implementation Date, in order to fully implement P62.

Table 6.1 – P62 Legal Text

Section	Version
H	3.0
J	3.0
K	7.0
L	2.0
R	2.0
S	1.1
S-2	3.0
X	1.1
X-1	8.0
X-2	7.0

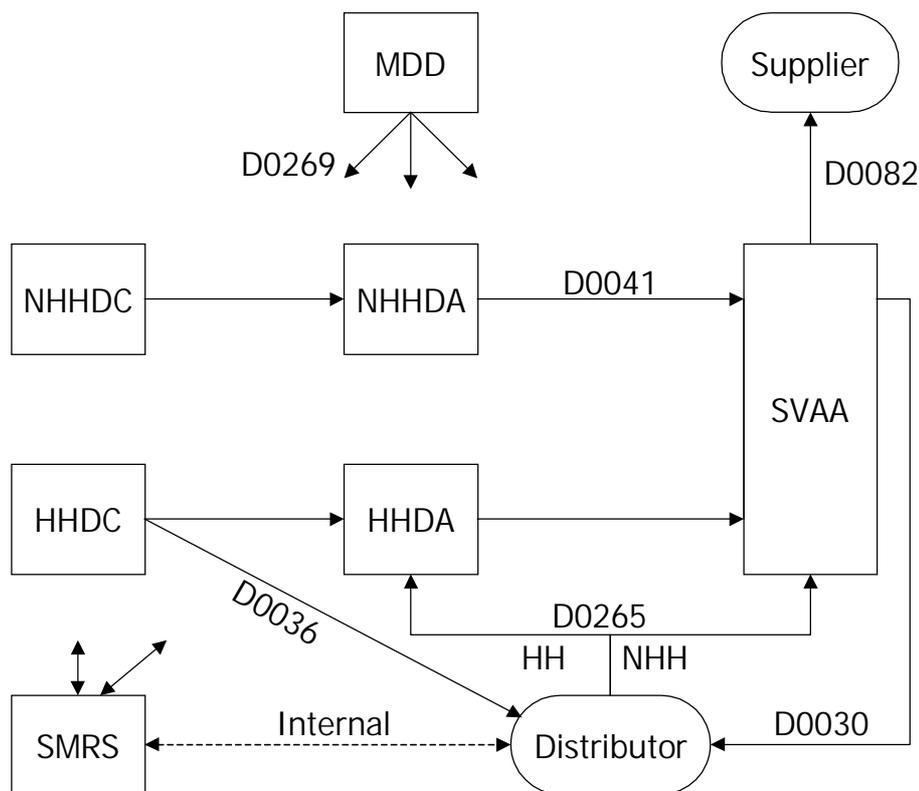
7 ASSESSMENT

Detailed assessment by the VAMG can be found in the P62 Assessment Report [RD/2].

7.1 Overview of Proposed Changes

The following provides an overview of the proposed changes required to allow multiple distributors to operate within multiple GSP Groups. Figure 7.1 provides a view of the key areas and SVA data flows that are impacted by P62.

Figure 7.1 – Proposed Solution Overview



The key features of this proposed solution are:

- SMRS may now be required to support multiple distributors, and/or operation in multiple GSP Groups. Prior to P62 the flows between the SMRS and distributor were normally within the same commercial organisation and were classified as "Internal". Consideration of this is outside the scope of P62 and is being addressed by DBFG;
- SVA data flows, such as the Market Domain Data (MDD) flow (D0269), are already capable of holding information about multiple distributors per GSP Group. However, there will need to be a change to the MDD Application used to maintain the data;
- the physical definition of many of the data flows already contains repeating groups for a distributor within a GSP Group. It is expected that only the usage of these repeating groups will change, as some previously single instance groups will now have multiple entries:
 - the half hourly side of settlement aggregates data into Consumption Component Classes (CCC) within the Half Hourly Data Aggregator (HHDA) and makes no use of any reference to the distributor. This means the flows between the Half Hourly Data Collector (HHDC), HHDA and Supplier Volume Allocation Agent (SVAA) are unaffected;
 - in contrast it is the profiling function within SVAA that determines the deemed half hourly energy consumption for the non half hourly side of settlement. To perform this function SVAA uses the core Supplier Purchase Matrix (SPM) within the D0041. This structure already contains a reference to the distributor, associated with each

of the Line Loss Factor Class (LLFC), and this allows the flow to define information about multiple distributors within the SPM for each GSP Group;

- the D0265 is unique to each distributor. This means that each distributor can only submit one set of LLFC to describe all of their networks in every GSP Group;
- as a result of the changes to the SPM within the D0041, each of the SVAA output reports which contain these entries will change. In some cases SVAA will need to ensure each report only contains the data applicable to the target distributor.
- software will no longer be able to deduce the GSP Group from the first two digits of an MPAN, and will need to obtain this information for each MPAN directly from the relevant SMRS, or indirectly as part of another flow.
- no major changes will be required to the Central Volume Allocation (CVA) systems.

7.2 Impact Assessment

P62 will impact a large number of systems, including BSC Agent Systems, Supplier Agent systems and other systems used by Parties. It will also affect a number of processes, such as Entry Processes and the handling of standing data exceptions. Much of the detailed design and implementation work cannot commence until P62 is approved by the Authority, and an appropriate implementation project formed.

The BSC costs, as calculated from the provided Impact Assessments, were £580,000 with an additional 92 man weeks of ELEXON effort to manage the change and update the necessary Code Subsidiary Documents.

The Panel requested in the Terms of Reference that the VAMG also attempt to estimate the overall cost to industry of this change. A number of the impact assessments from Parties stated it was too early to provide reliable estimates. Those Supplier responses that did provide an estimate ranged from a minimum of £30,000 to £1,000,000 (majority of responses approximately £200,000).

An outline plan was included in the Assessment Report, this was based on the changes to the BSC Agent Systems and software: SVAA, the MDD Application and the ELEXON developed Non Half Hourly Data Aggregator (NHHDA) software;

The proposed Implementation Date for P62 is 01 August 2003, if an Authority decision is received by 01 September 2002.

In addition to the P62 changes an upgrade to the version of Oracle and UNIX used by SVAA is required by the end of 2003. An upgrade project has been scheduled in 2003, this involves significant development with an approximate duration of 9 months. The Supplier Volume Allocation Group (SVG) have previously agreed that this upgrade is required to ensure continued support of the SVAA systems.

Therefore, if an Authority decision is received after 01 September 2002 (but before 30 June 2003) the proposed Implementation Date would be 30 June 2004. Planning of the Oracle / UNIX upgrade project is progressing and there are discussions with the software developer about any different approaches that could bring forward this alternative Implementation Date.

7.3 Implementation Issues

The P62 Assessment Report [RD/2] includes a number of risks, exclusions and assumptions (RD/2 Section 5) and as a result of the assessment of P62, a number of key issues (RD/2 Section 6.3). In summary these key issues are:

- **MRA changes** – the MRA changes are progressing in parallel to P62 and will not be complete until after the Modification Report is sent to the Authority. These are being developed by the DBFG;
- **interim arrangements** – the relevant sections of the Utilities Act 2000 are already in force and hence there may be a need for interim arrangements should a new licensed distributor wish to operate, or an existing PDSO wish to operate outside of its Distribution Services Area, prior to P62 being implemented. During the assessment of P62 it was anticipated that any interim solution would be based on the current approach of “adoption” and the DBFG are discussing this issue further;
- **trading of partial networks** – the solution proposed within P62 meets the key requirement to facilitate competitive supply on the networks of new licensed distributors. However, it does not address the issue of commercial trading of partial networks or assets. The VAMG felt this was outside the scope of P62 as it is an existing issue and is made no worse by the introduction of P62;
- **clarity of cost estimates** – P62 is a subset of a larger initiative to make the necessary changes to recognise new licensed distributors and therefore a number of the costs are outside the BSC (and are currently not quantifiable);
- **P62 cost / benefit** – the VAMG noted that changes would be required outside of the BSC even if P62 was not implemented and similar costs would be incurred, in addition a number of Parties found it difficult to assess the benefits of P62;
- **increased complexity** – the one-to-one link between a distributor/SMRS and a GSP Group will change under P62. Depending on the uptake of this new facility it may affect the performance of BSC Systems and may also impact SVA data quality. VAMG noted that further work may be required.

7.4 VAMG Assessment

The VAMG, and the majority of responses to the consultation performed during the Assessment Procedure, recognised that this Modification was raised in order to bring the BSC in line with the Utilities Act 2000. It was also recognised that as a result some changes were necessary within the industry and that although P62 was a costly initiative, it represented the optimal level of change. As a result of P62, customers on the networks of new licensed distributors could expect competitive supply and the chosen Suppliers could be settled within the rules defined by BSC.

47% of respondents provided unqualified support and believed P62 on its own was sufficient to better facilitate achievement of the Applicable BSC Objectives. However, a number of respondents qualified their support believing the optimal solution was a combination of P62 and P70, and that as a combination the majority (65%) of respondents

believed P62 and P70 together would better facilitate achievement of the Applicable BSC Objectives.

The VAMG agreed that a combination of P62 and P70 would provide a better technical solution.

8 SUMMARY OF REPRESENTATIONS

The responses received to the draft Modification Report issued for consultation on 25 June 2002 are attached as Annex B. 8 responses, representing a total of 37 Parties, were received:

- the majority of responses supported the Panel's recommendation to send Modification Proposal P62 to the Report Phase with a recommendation that the Modification should be made;
- one respondent (1 Party) believed the Modification should be rejected on the grounds of the significant amount of work involved, the associated costs and that recovery of costs would be difficult to achieve;
- one respondent (4 Parties) did not provide a view as to whether the Modification should be made. However, they did believe that it would be more efficient to implement the Modification at the same time as BETTA is introduced, as that would avoid SESL having to undertake additional work.

No new substantive reasons were provided as to why P62 would not better facilitate achievement of the Applicable BSC Objectives. However, a number of additional comments were made:

- some respondents believed it would be beneficial if the Authority could provide an early indication of the determination, to assist with potential forward planning;
- three respondents reiterated their support for a combined P62 + P70 solution;
- concern was expressed about the length of time before implementation and that the industry may need to implement temporary measures;
- one respondent expressed concern relating to a number of issues, such as DUoS billing, LLF production, Distributor of Last Resort and Distribution charges. These had all been identified during the Definition Procedure as being outside the scope of P62, as they were either outside the BSC, or should be addressed at a later date (Distributor of Last Resort).

ANNEX A – PROPOSED TEXT TO MODIFY BSC

Attached as separate document

ANNEX B – P62 REPRESENTATIONS

Responses from P62 draft Modification Report Consultation

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU	P62_MR_001	21
2.	Aquila Networks	P62_MR_002	1
3.	YEDL/NEDL	P62_MR_003	2
4.	SEEBOARD Energy	P62_MR_004	1
5.	London Electricity	P62_MR_005	1
6.	Scottish Power*	P62_MR_006	6
7.	Scottish and Southern Energy*	P62_MR_007	4
8.	British Gas Trading (late response)	P62_MR_008	1

* Additional responses were provided by these respondents after version 0.3 of this document was issued to the Panel for decision. The issues raised by these additional responses were considered at the Panel meeting 18 July 2002.

P62_MR_001 – TXU

We confirm that we support the Conclusions and Recommendations as set out in the Draft Mod Report.

Phil Russell
TXU

P62_MR_002 – Aquila Networks

Aquila Networks would like to reject proposal P62 on the grounds that its costly, amount of work required to amend systems and that recovery of costs would be difficult to achieve.

regards
Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

P62_MR_003 – YEDL/NEDL

YEDL and NEDL support the P62. Whilst the P62 is not perfect, it is a pragmatic solution on offer to accommodate new distributors.

Many thanks
Sue Calvert, YEDL/NEDL

P62_MR_004 – SEEBOARD Energy

With respect to draft modification report for proposal P62 (Changes to Facilitate Competitive Supply On The Networks Of New Licensed Distributors) dated 25th June. We agree with recommendations within section 1.1 of this report and details of implementation dates therein. We would appreciate it if the Authority could provide a view on likelihood of a determination prior to 1st September at an early stage to assist with potential forward planning of these changes.

Dave Morton
SEEBOARD Energy Limited

P62_MR_005 – London Electricity

Thank you for the opportunity to comment. We would take this opportunity to confirm our continuing support for P62. LE Group agrees that the solution presented in P62 offers the most satisfactory way forward, however we would argue that P62 + P70 offers the better technical solution.

We appreciate that P62 is complex and is only part of the total implementation required towards facilitating the networks of new licensed distributors. However, we are concerned that the implementation dates put forward in this report are some way off into the future. As a result, the industry may have to implement temporary facilities.

Paul Chesterman
for Liz Anderson, Energy Strategy & Regulation Manager
LE Group

P62_MR_006 – Scottish Power

With reference to the above, we wish to reiterate the views, which we have previously provided in support of Mod P62: Changes to Facilitate Competitive Supply On The Networks Of New Licensed Distributors.

However, we would also like to add the following comments: -

- Our support is enhanced if the related P70 is also approved.
- Implementation date of 30th June 2004 if an authority decision is reached after 01 Sept 2002. It was noted at the DBFG on 7th June that notwithstanding the other BSC Agent system changes this a considerable length of time and one that did not meet the requirements and needs of the industry. This was expressed by Suppliers and Distributors. This is especially the case when safety and emergency implications that could arise before P62 is implemented and the litigation that could surround these issues.

- With respect to the legal texts, we believe that 'd) *there will be one SMRS per Licensed DSO (as a legal entity) and not per GSP Group, even if (for example) two ex-PESs merged*' should be redrafted as '*each Licensed DSO (as a legal entity) will procure one SMRS, regardless of the number of GSP Groups it operates in*' so as to avoid any ambiguity.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours Sincerely,

Man Kwong Liu
Calanais Ltd.

For and on behalf of: - *Scottish Power UK Plc.; SP Manweb Ltd; Scottish Power Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.*

P62_MR_006a - Scottish Power - Additional Response Received 18/07/02

Further to our earlier comments on the Draft Modification Report (see attached), ScottishPower wishes to raise further concerns that we have over the costs involved in implementing "Option 7" from Modification Proposal P62 and, in particular, the need for cost recover mechanisms to be agreed as part of our acceptance of this Proposal. We recognise that the industry has not been able to provide definitive costs, but, on the basis of the figures provided in the Draft Modification Report (roughly £200,000 per Supplier), we would estimate the overall cost to the industry to be in excess of £10M. In our view, this represents a significant investment by industry and we do not see that the savings to be realised by participants or customers will go far towards recovering these costs. We would expect to see allowance for this investment taken account of in any future distribution price controls.

Please note that these concerns do not detract from our continued support for Modification Proposal P62 - Option 7 (and associated MP70).

Regards,

Steve Field
Calanais for ScottishPower
Design Authority, Deregulated Services

P62_MR_007 – Scottish and Southern Energy

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

Further to your note of 25th June 2002, and the associated Modification Report for P62, we have the following comments to make.

We note that the Industry Seminar, dealing with the matters outlined in P62, was held on 3rd July. Given this, it was disappointing that Elexon were not able to extend the response deadline, for this P62 consultation, beyond 4th July. This has not given us an opportunity to properly evaluate the points raised at the Industry Seminar. This is a critical change for the industry.

In addition, with the development of arrangements for the introduction BETTA, the implementation of P62 would mean that SESL will have to undertake work to support the introduction of P62 for a few

months. It would be more efficient for the introduction of P62 to be aligned with the implementation of BETTA.

In addition to these general comments, we have the following specific queries:-

- 1) There are no commercial arrangements in place, therefore Suppliers will not know the cost of distribution changes. Without knowing distribution charges up front there is a risk Suppliers will register MPANs which turn out to be uneconomic;
- 2) How will DUoS be billed? Suppliers need one charge from one distribution business per MPAN. There is nothing to ensure Suppliers only receive one bill for DUoS charges. How will LLFs managed?;
- 3) What happens if a Distributor goes out of business? What arrangements will there be for Distributor of Last Resort?; and
- 4) How will RTS Access Agreements work? At the moment each existing PDSO has its own teleswitch User Id and set of group codes. Will New Licensed Distributors have their own teleswitch User Ids and set of group codes or will the 'local' PDSO have a responsibility to provide the service? What effect will this have on the Teleswitch Data Service?

Regards

Garth Graham
Scottish & Southern Energy plc

P62_MR_007a - Scottish and Southern Energy - Additional Response Received 16/07/02

Dear Sirs,

In regarding to Thursday' s BSC Panel meeting, we would like to make you aware of some thoughts we have in relation to Modifications P62 and P70 as covered in papers 48/003 and 48/004

As you may be aware MRASCo on the 3rd July held a seminar to go through the issues surrounding new and embedded distribution businesses. Unfortunately the responses to the 'associated' Modifications (P62 and P70) were required the very next day, giving us insufficient time to properly reflect the output from this seminar in our response.

We have now had the opportunity to review the information and comments made at the seminar.

It is clear that interim 'fostering' arrangements will need to be put in place, due to the timescales required for implementing P62. To cutover from these interim arrangements to the proposed solution will require logical disconnections and logical reconnections, de-appoint and re-appointment of agents and potential inconvenience and confusion to customers. All of this we see as high risk and an unwanted expense.

The cost of implementing P62 will be significant for all parties. We therefore believe it would be sensible for the industry to look closely as to whether P62 should be agreed at this moment in time.

We think it would be prudent to allow the interim arrangements to operate for awhile, to see if they would be sufficiently fit for purpose and only if experience shows that they are not consider agreeing to the sophisticated solution proposed under P62.

P70 would still be beneficial for the interim solution in helping to accurately record DUoS charges.

We hope these additional thought may be of assistance to you.

regards

Garth Graham
Scottish & Southern Energy plc

P62_MR_008 – British Gas Trading

Thank you for the opportunity to respond to this Draft Modification Report on Modification Proposal P62. This response is on behalf of British Gas Trading Ltd.

We support the recommendations in this draft modification report made by the Panel on the 13th June 2002 that the modification should be made and implemented on the 1st August 2003. We also agree that the combination of both Modification Proposals P62 and Modification Proposal P70 would provide a better technical solution and would better facilitate the applicable BSC Objectives.

We have also noted the legal text changes to the BSC and also support these.

Should you like to clarify any of the above points please feel free to give me a call.

Yours Faithfully
Andrew Latham, BGT