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Modification Proposal P62 - Initial Consultation

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a Authorities

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b Distribution

Name	Organisation
BSC Parties	

c Change History

Version 0.1 issued for review within ELEXON

Version 0.2 issued for Modification Group review

Version 1.0 issued for BSC consultation

d Changes Forecast

None

e Related Documents

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

- 1 Panel Paper 30/026 – Provision for New Distribution Business, 20 September 2001
- 2 DBFG Document - Requirements Specification – New Licensed Distributors, Version 0.4, 8 January 2002
- 3 Initial Written Assessment, Version 1.0, 11 January 2002
- 4 DBFG Consultation - Consultation on Settlement and Registration Issues – Consultation Papers section on www.elexon.co.uk
- 5 DBFG Consultation Responses - Consultation Papers section on www.elexon.co.uk

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1 INTRODUCTION

1.1 General

This Consultation Document has been prepared by ELEXON Ltd, on behalf of the Modification Group, 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.

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

The document supports the initial consultation process in the definition of Modification Proposal P62. It is based on the ideas presented at the first Modification Group meeting for P62, which was held on 22 January 2002, and the previous work undertaken by the Distribution Business Focus Group (DBFG).

1.2 Structure of Document

The document is structured as follows:

- Section 2 provides background to the Utilities Act, DBFG and Modification Proposal P62;
- Section 3 provides an introduction to the recommendation of the DBFG and their proposed mechanism, as embodied in P62;
- Section 4 provides an overview of the modification;
- Section 5 provides a summary of the first Modification Group meeting.

2 BACKGROUND

2.1 Utilities Act

Prior to the introduction of the Utilities Act 2000 on 1 October 2001, distribution of electricity was not a distinct licensable activity. The licensing regime for distributors was as follows:

- the fourteen Public Electricity Suppliers (PES) had licence conditions related to distribution included in their PES licences;
- because distribution was not a licensable activity, other organisations were able to own and/or operate private networks, without any obligation to apply for a licence, or comply with the BSC, MRA (Master Registration Agreement) or SAS (Settlement Agreement for Scotland).

The current trading arrangements allow unlicensed private networks to be handled in one of two ways, either where a single point of connection between the Public Distribution System and the unlicensed network is registered in SMRS (Supplier Meter Registration Service) but none of the entry and exit points are registered, or alternatively, the BSC (in England and Wales) allows the network to be 'adopted' by the Public Distribution System Operator (PDSO). In this case it would be treated for settlement and registration purposes as part of the Public Distribution System. All of the entry and exit points would be recorded in SMRS by the PDSO, and the network would therefore be open to competitive supply.

Following the implementation of the Utilities Act on 1 October 2001, distribution of electricity is now a licensable activity, and as a result companies other than PDSO may be obliged (or choose) to obtain Distribution Licences. The obligations placed on such licensed distributors include the following:

- an obligation to prepare a schedule of distribution charges and Line Loss Factors (LLF) (under Condition 4 of the standard licence);
- an obligation to become a BSC Party, if distributing electricity in England or Wales (under Condition 10 of the standard licence);
- an obligation to comply with the SAS, if distributing electricity in Scotland (under Condition 12 of the standard licence);
- an obligation to become a Party to the MRA (under Condition 14 of the standard licence).

Changes are required to the BSC, MRA and SAS in order to allow licensed distributors to meet these obligations, and also to open up the networks to competitive supply.

Although P62 has been raised as a modification to the BSC, it is important to recognise it is part of a wider initiative that includes Scotland (i.e. SAS) and the MRA.

2.2 Distribution Business Focus Group

In order to provide a co-ordinated industry view of the changes required to support new licensed distributors, the MRA Executive Committee (MEC) established a New Distribution

Business Focus Group (DBFG). This has representatives from suppliers, distributors, MRASCo, ELEXON, SESL and Ofgem.

Discussion within the DBFG on how to facilitate competitive supply on the networks of licensed distributors is already at a fairly advanced stage. The key settlement and registration issues were reported to the Panel in paper [RD/1], and these issues have since been progressed further by the DBFG.

On 6 November 2001, the DBFG issued for consultation¹ a paper describing high-level settlement and registration options. The responses to the consultation process resulted in a Requirements Specification [RD/2] being produced and this has since been approved by MEC.

Modification Proposal P62 provides a mechanism for amending the BSC in line with the results of the DBFG discussions and the requirements within [RD/2].

2.3 Modification Proposal P62

P62 was raised by TXU UK Ltd on 3 January 2002. The proposal details the changes to the BSC in order to reflect the Electricity Distribution Licence changes. It also states that the mechanism for achieving this will be defined as a result of the work undertaken in the DBFG. Although not explicitly stated this is taken to mean as documented in [RD/2].

The DBFG recommended approach is based on the following assumptions:

- no change to the definition of a GSP (Grid Supply Point) Group;
- all metering systems for a given distributor to be registered in a single SMRS:
 - if a GSP Group contains distribution networks operated by more than one licensed distributor, its metering systems will be split across more than one logical SMRS;
 - the SMRS for any distributor, that chooses to operate in more than one GSP Group, will have to be able to support metering systems registered in more than one GSP Group.

ELEXON prepared an Initial Written Assessment (IWA) [RD/3] for P62, which was presented to the Panel on 17 January 2002. This requested that the Modification Proposal be submitted to the Assessment Procedure with a four month assessment period and an interim report after two months. The Panel decided this was best addressed by placing it initially in the Definition Procedure to report back to the Panel on 14 March 2002.

The Panel also expressed concerns whether the work required to undertake the proposal was efficient or cost effective and whether there was a requirement in the Utilities Act to produce competition. It was reported that the requirement was to 'enable' competition of supply within new licensed distribution networks and that the proposal was a necessity.

The Panel also requested that the Modification Group consider all the cost implications, including industry costs and define what 'effective' meant in relation to the Applicable BSC Objective

¹ The consultation paper [RD/4] was issued to all MRA Parties, and posted on the ELEXON website (www.elexon.co.uk).

3 OVERVIEW OF DBFG WORK

A significant amount of work was performed by the DBFG prior to the raising of a formal Modification Proposal under the BSC.

The DBFG was formed by MEC to propose an industry approach to new licensed distributors. The DBFG has no decision-making powers of its own and relies on the modification processes within the BSC, MRA and SAS to authorise any changes. ELEXON has attended the DBFG, reporting back to the Supplier Volume Allocation Group (SVG) and the Panel on those proposals affecting the BSC.

This section provides an introduction to the work of the DBFG and the resulting recommendation, which forms the basis of P62. Further details can be found in the consultation document [RD/4], the responses [RD/5] and the requirements document [RD/2].

3.1 Early DBFG Work

The requirements within the Utilities Act provided the DBFG with its starting point, in that new licensed distribution networks should be open to competitive supply. The DBFG made the assumption that, as far as possible, they should not be treated as a special case (i.e. with their own set of rules) and that they should be open to the same competitive supply processes as existing PDSO networks.

The DBFG has discussed a wide variety of issues, with varying degrees of relevance to the BSC:

- profiling and GSP Group Correction;
- provision of SMRS and ensuring completeness of registration;
- Distribution Use of System (DUoS) charging;
- transmission losses;
- MRA funding and representation;
- issues around connection and disconnection of embedded networks (e.g. safety, exceeding capacity, causing interference).

As a result of these discussions the DBFG identified three basic settlement options that could be used for new licensed distribution systems:

- a) incorporate them into the GSP Groups they would go into under the current rules, acknowledging there may be some complexities on the boundaries between distribution service areas;
- b) create additional GSP Groups;
- c) incorporate them into existing GSP Groups, as selected by the distributor.

For embedded networks, ELEXON and SESL suggested that only Option (a) is appropriate, for the following reasons:

- a GSP Group is in essence a mechanism for allocating errors (e.g. metering errors, profiling errors, errors in LLF) among Suppliers. There is no logical connection between distribution licences and GSP Groups;
- GSP Group Correction isn't necessarily robust to small GSP Groups. Small GSP Groups could expose Suppliers to increased imbalance charges², and as such this level of change should be debated as a separate Modification to P62;
- option (c) leads to non-geographical BM Units, which undermines the reasons for having BM Units. The Transmission Company (or National Grid) shares the concerns over the loss of geographical information if this route is followed;
- option (c) is inconsistent with accurate profiling of Non Half Hourly (NHH) meters.

The situation for directly connected networks was less clear. Although from the perspective of settlement, option (a) is still most appropriate, the current BSC definition of GSP Group only supports option (b). The issue of directly connected networks is still unresolved within the DBFG and recommendations have been limited to embedded networks.

Although some Distribution Business representatives wished to keep open options (b) and (c), the DBFG agreed to recommend option (a), noting that any BSC Party could raise (b) or (c) as a Modification Proposal if required.

The other area for consideration was the provision of SMRS for the new networks and four options were recognised. One of the key issues in deciding which SMRS option was most appropriate, was how the core Metering Point Administration Number (MPAN) could be used to identify the distributor, GSP Group and SMRS. Currently each core MPAN starts with a 2 digit Distributor Id that within the current rules can also identify both the GSP Group and SMRS. Each of the different SMRS options alters the relationships between these three entities and hence which can be directly identified from the core MPAN.

When the four SMRS options are combined with the different approaches to settlement (Option a-c) this produces the 12 basic options in Table 3.1.

² The mechanism of GSP Group Correction allocates errors (in estimated meter readings, line loss factors, profiling etc) to the Suppliers of Non Half Hourly metering systems. In the twelve existing GSP groups the impact of this on Suppliers is relatively small, because the volume of errors is typically low in proportion to the volume of Non Half Hourly energy.

Table 3.1 – New Distribution Business Options

	Option (a) Incorporate within relevant GSP Group	Option (b) Create additional GSP Groups	Option (c) Incorporate within non relevant GSP Group
Use Host PES SMRS	Option 1 (Option 1a)	Option 2	Option 3
Operate SMRS for each individual network	Option 4	Option 5	Option 6
Each Distribution Licensee procures or operates a single SMRS	Option 7	Option 8	Option 9
Each Distribution Licensee procures or operates one or many SMRS	Option 10	Option 11	Option 12

After consideration of each of the sub-options for settlement option (a), the DBFG recommended that three options be considered further:

- **Option 1** - is where every licensed distributor uses the existing SMRS associated with the relevant GSP Group. The key feature of this is that it maintains the 1-1 relationship between GSP Group and SMRS, but introduces a many to many relationship with the distributor. A number of potential solutions were proposed for how the distributor, GSP Group and SMRS could be represented in the core MPAN, or failing that determined from it. The majority of these proposed using the initial 2 digit field to identify the SMRS/GSP Group and to identify the distributor in some other manner, such as within the MPAN reference number or Line Loss Factor Classes (LLFC);
- **Option 1A** - is a variant of Option 1 where the 2 digits in the core MPAN are used to identify the SMRS / GSP Group and then discrete LLFC are used to identify the new distributor. A key feature of Option 1A is that the PDSO would fulfil all the settlement and registration obligations on behalf of the new embedded distributor. The new distributor is therefore hidden from the rest of the industry, meaning there would be no changes to the Supplier Agents or Supplier Volume Allocation Agent (SVAA). This was proposed as a short term solution as the DBFG recognised it was not a good industry model. However, there were also concerns that the LLFC are not contained in all MRA Data Transfer Catalogue (DTC) flows and are not visible to some Supplier and Agent processes. In addition it was recognised that there would be many changes to the PDSO systems;
- **Option 7** - is for each distributor to provide or procure a single SMRS. This maintains the ability to use the core MPAN to identify both distributor and SMRS, but introduces a many to many relationship between the distributor/SMRS and the GSP Group.

3.2 Consultation Into Settlement and Registration Options

As a result of the DBFG discussions and recommendations, a consultation document was issued on 6 November 2001 to MRA Parties (and also posted on the ELEXON website) concerning the settlement and registration issues.

The DBFG had noted that option 1 might minimise change to settlement, in that there would still be one SMRS per GSP Group. However, the consultation responses, and in particular the Supplier responses, overwhelmingly favoured option 7:

- Suppliers and their agents can immediately tell both the distributor and the SMRS from the first two digits of the MPAN;
- under any other option, the MPAN core could reveal the distributor or the SMRS, but not both. Options for adding an extra field to the core MPAN, or using LLFC to help identify both, were not favoured;
- it was considered that this option minimised impact on SMRS.

As part of the consultation some of the Distribution Businesses repeated their initial reservations about the recommendation for option (a) and considered that options (b) and (c) should be progressed.

3.3 Requirements Specification

Although option 7 represents the least impact of the registration options considered, it still requires significant software changes, in particular due to the introduction of many to many relationship between:

- distributors and GSP Group – this impacts routing of flows to distributors e.g. DUoS reports. Currently some systems will deduce distributor from GSP Group, or GSP Group from distributor, e.g. SVAA and at least one Half Hour Data Collector (HHDC);
- SMRS and GSP Group – this also has an impact on Party and Party Agent system e.g. Non Half Hourly Data Aggregator (NHHDA) software.

After the consultation, the Registration and Settlement Group (R&SG) of DBFG further refined option 7:

- most of the PDSO obligations within the BSC should be extended to all licensed distributors e.g. provide SMRS, define LLFC and LLF, maintain inventory of Unmetered Supplies (UMS), BSCP68, BSCP550;
- those distributors that decided to operate in more than one GSP Group would need an SMRS that could recognise multiple GSP Groups³;
- BSCP511 and BSCP512 would need to be extended to recognise new SMRS;
- each distributor would have a 4-character Market Participant Id and 2-digit Distributor Id as is currently the case for each PDSO.

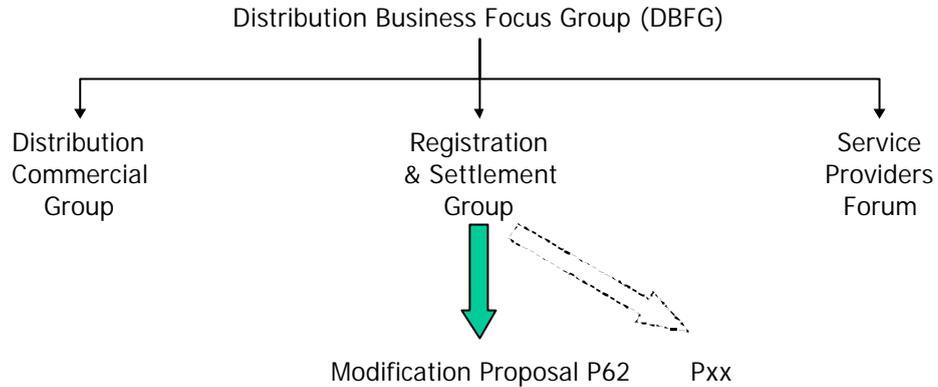
The requirements were formalised in a Requirements Specification [RD/2]. It was this Requirements Specification which formed the backbone to Modification Proposal P62 raised on 6 January 2002 by TXU, one of the Suppliers on the R&SG. Subsequently this specification was approved by MEC on 29 January 2002.

³ Condition 37 of the standard licence only requires the distribution service provider's Metering Point Administration Service to provide services for other distribution systems within their distribution services area.

3.4 Continued Development of Overall Initiative

P62 is only part of the overall set of changes necessary to introduce new licensed distributors. Other areas for change are the MRA and SAS. Figure 3.1 shows the original structure of the DBFG and the creation of P62.

Figure 3.1 – DBFG Structure



There is still work being undertaken by the DBFG and the associated sub-groups. These will continue to develop parts of the overall solution and draft the appropriate MRA Change Proposals, which MRASCo will then progress to be formally approved by MRA Development Board (MDB). This may also result in further Modification Proposals (i.e. as shown by Pxx in figure 3.1).

Some of these changes will impact settlement and hence the BSC. As a result the P62 Modification Group will need to be aware of the progress being made in these other areas. Examples of activities being performed outside of P62 are:

- MRA funding and representation;
- use of system and connection agreements between host and embedded Distribution businesses;
- charging mechanisms for SMRS and identification of those services which an SMRS is obliged to provide, and those which are local to the Distribution Business;
- enhancement of those business functions, such as registering skeleton MPAN, that will now be split between the distributor and SMRS and currently have no supporting DTC flows;
- arrangements to construct a single LLF which can represent the underlying components applicable to each distribution network;
- arrangements for DUoS charging and in particular how to derive a component to represent the host distribution network, as the SVAA produced figure is expected to relate to relationship between the Supplier and embedded distribution network;
- requirements for inter-distribution network metering in support of DUoS charging. This could result in a BSC Modification Proposal to register such meters in the Central Meter Registration Service (CMRS).

4 OVERVIEW OF P62

The proposed mechanism for P62 can be summarised as “1 Distribution Business equals 1 SMRS system, without the creation of new GSP Groups”. In recognition that a Modification, or its Alternative, must be completely approved (i.e. with no options or exclusions) or rejected, P62 is expected to contain the minimum scope required to meet the core objectives. It is recognised additional related Modification Proposals could be raised in the future should Parties believe the overall solution should be extended.

The following sections describe the main features of the P62 mechanism, also referred to as Option 7. It should be noted that this is a summary and that further details are held in the Requirements Specification [RD/2]. In addition, this consultation is part of the Definition Procedure and, as the solution is further developed during the Assessment Procedure, additional changes may be introduced and the requirements refined.

4.1 Legal Changes

P62 will be required to make a number of changes to the BSC, it is anticipated that the changes are likely to include the following:

- the commercial boundary of the BSC (i.e. the definition of “Total System”) is to be extended to include the networks of all licensed distributors. The intention is to ensure that all entry and exit points from licensed Distribution networks must be registered in SMRS or CMRS;
- where appropriate current PDSO obligations under the BSC should be extended to all licensed distributors. Examples include:
 - the obligation in K1.7 to submit Line Loss Factors;
 - obligation in annex K3.1 to ensure that the SMRS satisfies an entry process; and
 - the obligations in S8.2 relating to Unmetered Supply;
- the definitions of SMRA and SMRS should be amended to allow someone other than the PDSO to perform the role, and hence recognise that there may be more than one in a GSP Group;
- a number of new terms will be required such as Licensed Distribution System Operator, with an associated acronym (i.e. LDSO) to replace the large number of references to PDSO within the overall set of BSC documentation.

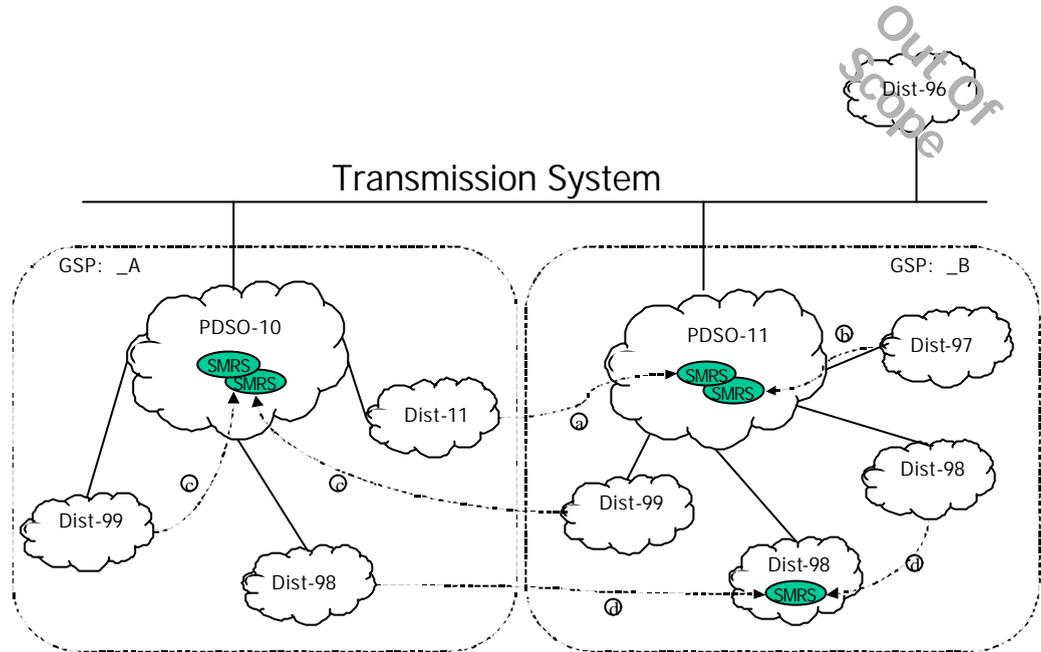
It is also anticipated that a significant number of the BSC Procedures (BSCP) and majority of Service Lines will also need changing. Although the final BSC drafting will need to be included in the final Modification Report, it is not expected that the final drafting of these additional documents will be available within the timeframe of this Modification Proposal, and these will need to be completed after approval.

4.2 Registration Architecture

One of the main impacts of P62 is on the provision of SMRS to the new licensed distribution networks. The P62 solution, for each new licensed distributor to have a single SMRS, impacts the topology of SMRS within the overall Total System. The potential options for

including new distribution networks are summarised in Figure 4.1, where each physical distribution network is shown as a cloud⁴.

Figure 4.1 – Registration Architecture



In each case the two digit Distributor Id in the core MPAN would be the number shown in each cloud (i.e. 10, 11, 97, 98 or 99). As can be seen it is no longer possible to determine the GSP Group from the Distributor Id in the MPAN.

P62 expects new licensed distributors to be embedded within an existing PDSO and hence there is no requirement for new GSP Groups, or for networks directly connected to the Transmission System, as shown for example Dist-96.

Figure 4.1 also shows the proposed registration of Metering Systems in SMRS. It is assumed that an SMRS shown within a network cloud already provides services to that network. For any SMRS upgraded to provide services outside the local PDSO, dotted arrows have been used to indicate the responsible SMRS, and a label (a) to (d) to indicate one of the following options:

- a) an existing PDSO that decides to operate in other GSP Groups will be expected to continue to use their existing SMRS, which will need to be capable of supporting multi-GSP group operation. This is shown for Dist-11 also operating in GSP Group _A;
- b) a new licensed distributor, who always intends to operate within a single GSP Group, can use the existing SMRS for that GSP Group. This SMRS would need to be upgraded to support multi-distributor operation. There is no licence obligation for such an existing SMRS to support operation outside the local GSP Group and hence the new license distributor would need to ensure they always intend to limit their operation to that particular GSP Group. This is shown for Dist-97 operating in GSP Group _B.
- c) a new licensed distributor, who intends to operate within multiple GSP Groups, could use an existing SMRS (as for option (b)), however as there is no licence obligation on

⁴ The examples used are fictitious, and only use existing GSP Groups and PDSO Distributor Id for clarity.

that SMRS to operate outside the local GSP Group, then the new licence distributor would need to ensure the SMRS was willing to offer this service and was capable of supporting both multiple GSP Group and distributor operation. This is shown for Dist-99 operating in both GSP Groups;

- d) a new licensed distributor, who cannot find a suitable existing SMRS willing to operate in the required GSP Groups, or for their own financial / commercial reasons, may decide to operate or procure a new SMRS capable of operating in the desired environment. This is show for Dist-98 operating in both GSP Groups.

Where an SMRS is providing services for two or more distributors (i.e. as shown in options (b) and (c)), the flows to and from each logical instance would be identified by the unique 4 character Market Participant Id associated with the network's own distributor, and not that of the host PDSO.

The wide range of potential combinations within Option 7 does not imply all combinations will become available. Those that do become available, and the specific SMRS and GSP Groups combinations, will to a degree be dependent on which options the existing and new licensed distributors consider commercially viable. Further consideration of this is outside the scope of P62, and P62 should ensure all potential options are supported from the perspective of the BSC and settlement.

The changes to SMRS systems are one of the main impacts of introducing new licensed distributors. However, as stated in section 3.4 a significant proportion of the work associated with the SMRS is outside the scope of P62, such as the impact on the physical SMRS systems. In this area the impact of P62 is limited to changes to the BSC, BSCPs and Service Lines.

4.3 Market Domain Data

A number of the BSC, and Party Agents validate the data they receive from other agents using either Market Domain Data or their own Standing Data. The ability to have multiple distributors per GSP Group will alter the underlying data and any validation. The Requirement Specification [RD/2] contains a number of desirable requirements that cover this subject and the degree of further validation possible.

The need for any changes to such data and services will be explored during the P62 Assessment Procedure.

4.4 Settlement Flows

P62 aims to minimise the impact on settlement by treating each of the new exit points in the same manner as for the existing Stage 2 metering. This means that distributors are to a great degree transparent to the settlement process, which primarily occurs for Suppliers within GSP Groups.

P62 will alter the contents of some settlement data flows, and the data that is ultimately sent to, and received from, SVAA. However, initial analysis suggests the physical format of the flow definitions should be unaffected, as those concerned already recognise there could be a many to many relationship between GSP Group and distributor, although to date they have effectively been the same entity and hence a 1-1 relationship.

The main changes are to the Non-Half Hourly side, as the aggregation process for Half Hourly data already removes any need for grouping by distributor before the data is sent on to the Half Hourly Data Aggregator (HHDA) systems.

On the Non-Half Hourly side, it is SVAA which is responsible for reporting some of the data used by distributors and suppliers in the calculation of DUoS (i.e. after profiling has occurred). This requires SVAA to know about distributors, the main impacted flows are:

- D0041 - Supplier Purchase Matrix Data File – this flow is already defined to support multiple distributors per GSP Group and hence the file format will remain unchanged. However, the NHHDA software will need to be made aware that there can be multiple distributors per GSP Group and create the correct consolidated Supplier Purchase Matrix for the GSP Group;
- D0030 – Non Half Hourly DUoS Report - Individual DUoS reports will need to be created by SVAA for each of the distributors in a GSP Group, sending data only to the distributor for which it refers. In addition SVAA will need to recognise that distributors will potentially be operating in multiple GSP Groups;

In addition the obligation for distributors to produce Line Loss Factors will impact SVAA and HHDA, as they will each need to receive multiple D0265 files for each GSP Group.

P62 represents a significant change in the manner that distributors can operate within the BSC and the demands that could be put on settlement, not only by new licensed distributors, but also existing PDSO operating in other GSP Groups. Part of the Assessment Procedure will need to consider assurance requirements, such as the robustness of the proposed mechanism should there be a significant number of new distributor/GSP Group combinations introduced.

4.5 BSC Systems

P62 will primarily need to consider the impact on the SVAA system and also the ELEXON provided NHHDA software. It is not anticipated there will be changes to other BSC Systems (FAA, ECVAA, SAA, CRA, CDCA, BMRA), however this will need to be verified during impact assessment.

It is recognised that there will also be impact on Party Systems such as: SMRS; HHDC; HHDA, NHHDC and also NHHDA. However consideration of the changes to these physical systems is limited within the scope of P62, and will be primarily consideration of information returned in the impact assessments produced by Parties, as part of the Assessment Procedure⁵.

⁵ Note the request by the Panel (Section 2.3) to consider all the cost implications, including industry costs.

5 FIRST MODIFICATION GROUP MEETING

A Modification Group meeting was held on 24 January 2002 to start the Definition Procedure.

The ELEXON produced IWA [RD/3] had recognised this was a complex modification and raised three main issues:

- the Requirements Specification [RD/2], produced by the DBFG, documents the high-level requirements and it is recognised these need to be further developed into a solution, prior to attempting formal Impact Assessment;
- the governance for the overall initiative is split between the BSC, MRA and SAS and each will be required to undertake a parallel set of modifications or change requests;
- a number of regulatory issues had been raised, which would need to be resolved prior to the final report for the Modification Proposal.

5.1 Consideration of DBFG Recommendation

The first step was to consider the DBFG assumption that the current Stage 2 approach to competitive supply should be extended to include new licensed distributors, and the DBFG recommendation that Option 7 be accepted as the proposed mechanism.

The Group recognised the changes in the Utilities Act make the modification necessary and also accepted the DBFG recommendations on the advantages of Option 7, and hence the proposed solution for P62.

5.2 Consideration of Scope of P62

The Group also discussed those areas that the IWA [RD/3] considered should be considered out of scope, and in each instance confirmed that this was the correct action:

- **no direct connections to the Transmission System** – it was agreed that it is reasonable to assume that this would not occur for at least two years, and did not represent an immediate issue;
- **no registration of the metering point between two distribution networks in CMRS** – it was recognised that most Distribution Businesses would want a metering point between the two networks, however, it was not clear that this had to be registered in CMRS, as it was not required for Settlement. The Group considered it was correct to consider this out of scope and to expect an additional Modification to progress the issue, if a Distribution Business decided this was required;
- **no consideration of how the LLF and DUoS for each Distribution network are calculated and proportioned** – it was accepted that this was a complex and potentially difficult area, however, the BSC Systems should assume each of these would be provided/reported as a single consolidated figure from/to the embedded distributor;
- **no transferring of metering points from one Distribution business to another** – although this is a major limitation it was recognised that the problem was not limited to new licensed distributors and that it should be addressed outside P62.

5.3 Consideration of Legal Issues

ELEXON confirmed that a number of legal issues had been raised by their lawyers and that these were being progressed with the Authority. The Modification Group agreed, with help from the Authority's representative, that in the meantime they should make working assumptions in relation to each of these issues.

There is a concern as to whether:

- the obligation for the new Distribution Business to provide an SMRS service will be included in any licence that is granted, or whether it should be in the BSC and/or MRA. The Group supported the assumption that this would be in the BSC and/or MRA;
- the DBFG proposals are permitted within the existing MRA (and DTS) legal framework without further licence modifications. The Group supported the assumption that this would be resolved and would not impact the proposed mechanism.
- a single legal entity could hold more than one distribution licence and how a licence would apply to an entity owning more than one network. The Group supported the assumption that each legal entity should have one license covering all networks. In addition it recognised that the practical impact on the proposed mechanism was related to the number of Distribution IDs that would be required;
- it is acceptable to exclude directly connected networks from the scope of P62. The Group had already agreed it was reasonable to assume that it would take at least two years for such a licence to be granted and that it was acceptable to proceed on this basis;
- a previously unlicensed network could have embedded exempt suppliers. The Group recognised that this was no different from the handling of exempt suppliers within existing distribution networks, and that this was not a specific P62 problem. The Group accepted this should not impact the progression of P62 at this stage.

5.4 Consideration of Desirable Requirements

The Group also discussed the desirable requirements within the Requirements Specification [RD/2] and decided:

- **Requirement 5.2.2** – this suggests each combination of Supplier Hub (i.e. Supplier and associated Agents) and SMRS⁶ should go through an entry process prior to use. The Group acknowledged that this was important and should be treated as a mandatory requirement;
- **Requirement 5.5.1** – this suggests that Market Domain Data (MDD) should include details of which distributors (and associated SMRS) are operating in each GSP Group. The Group decided that the business case for such a requirement would need to be established and that this should be considered when requesting impact assessments during the Assessment Procedure;
- **Requirement 5.6.2** – this suggested that distributors should be able to register in CMRS the metering at the connection point between the two Distribution Systems. The group confirmed that, as discussed above, this was out of scope of P62;

⁶ The key "unit" of Supplier entry process is a combination of Supplier, Supplier Agents and GSP Group. It was confirmed by ELEXON that in the context of this modification this should be considered to be Supplier, Supplier Agents and SMRS.

- **Requirement 5.7.1** – this referred to the action that SVAA should validate files received from Data Aggregators using standing data. The Group agreed that SVAA validation was intended to check that all expected data had been received from the Data Aggregators. It was not seen as validating that data contained the correct Supplier Hubs. The group considered this was related to MDD and like requirement 5.5.1 should be considered during impact assessment.

5.5 Additional Considerations

The Group noted the Panel requirements to consider whether the Modification Proposal was cost effective, and give an indication of the overall industry cost. The Group recognised this would be hard to achieve

- the Utilities Act is already in force and the BSC needs to reflect this;
- the non-BSC costs will be hard to assess as this will to a degree depend on the take up and manner in which existing Distribution Businesses update their SMRS.

As a result the Group recognised that if some meaningful data was going to be produced, it could only attempted during the Assessment Procedure as a result of impact assessments.

ANNEX A – P62 CONSULTATION QUESTIONS

Respondent:		
Representing (please list all parties):		
Question		Response
Q1	Do you agree with the Modification Group, that the DBFG recommendations for Option 7, and hence the proposed solution for P62, should be accepted and used as the starting point for Modification P62? (see Section 5.1)	Yes / No
Rationale:		
Q2	Do you agree with the Modification Group that the areas identified in the IWA as being outside the scope of P62 are valid exclusions, and should not be progressed within P62? (see Section 5.2)	Yes / No
Rationale:		
Q3	With respect to P62 do you agree with the suggested treatment of the Desirable Requirements in [RD/2] proposed by the Modification Group? (see Section 5.4)	Yes / No
Rationale:		
Do you have any further comments on Modification Proposal P62?		