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MODIFICATION REPORT
MODIFICATION PROPOSAL P20 –
Revision of Obligations on Parties in
Relation to BM Unit Registration

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

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Each BSC Panel Member	Various
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Attachment 1: Representations

1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

Modification Proposal P20 proposes that Lead Parties be allowed to transfer obligations for registration of BM Units and Metering Systems to Affiliated Parties. An alternative proposal, P20 (alternative), enabled such transfers to any nominated Party.

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

The Authority reject both Modification Proposal P20 and the alternative proposal described above.

1.2 Background

Modification Proposal P20 was submitted by London Electricity plc on 18 May 2001. ELEXON produced an Initial Written Assessment and presented it to the Panel on 28 June 2001. The Panel endorsed ELEXON's recommendation that the Modification be progressed through the Assessment Procedure supported by a Modifications Group and that an Assessment Report be submitted to the panel for its meeting on 26 July 2001.

The proposal was considered by the P20 Modifications Group on 10 July 2001. Following a consultation exercise, the Modifications Group met for a second time on 17 July 2001 to review responses to the consultation along with initial High Level Impact Assessments.

An Assessment Report was presented to the Panel at its meeting on 26 July 2001. Subsequently, a draft of this report was consulted upon and revised accordingly. The final version of this Report was approved by the Panel at its meeting of the 23 August 2001, prior to being forwarded to the Authority for determination. Further details of the process followed are detailed in Section 4 of this report.

1.3 Rationale for Panel Recommendations

The BSC Panel meeting on 26 July 2001 noted the recommendation from the P20 Modifications Group that a further Assessment Process should be undertaken to fully develop P20 since significant further work was required in order to fully understand the ramifications and implications of the proposal (or its alternative). In particular it was noted that detailed consideration of the overall framework of obligations in licences, the BSC and Core Industry Documents would be required. However, Panel members also considered that the lack of consensus as to whether the proposal (or its alternative) would better achieve the Applicable BSC Objectives, or not, was unlikely to change in the light of such further assessment. In addition the Ofgem representative stated that there were concerns in respect of implications for the licensing regime, particularly given that the perceived benefits of the proposal (or its alternative) were very modest.

On the basis of the above considerations, the Panel concluded that P20 and P20 (alternate) should both go to the Report stage, with the recommendation that the proposals should be rejected. A consultation of the draft Modification Report was subsequently undertaken. Respondents supported the Panel's recommendation, without exception. In the light of these responses, at its meeting on 23 August 2001, the Panel confirmed its recommendation to reject both P20 and P20 (alternate).

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 PURPOSE AND SCOPE OF THE REPORT

BSC Section F sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'). These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications.

The BSC Panel is charged with supervising and implementing the modification procedures. ELEXON provides the secretariat and other advice, support and resource required by the Panel for this purpose. In addition, if a modification to the Code is approved or directed by the Authority, ELEXON is responsible for overseeing the implementation of that amendment (including any consequential changes to systems, procedures and documentation).

A Modification Report must be prepared and submitted to the Authority in respect of each proposed modification and must contain:

- (a) The recommendation of the Panel as to whether or not the Proposed Modification or any Alternative Modification should be made;
- (b) The proposed Implementation Date for implementation of the Proposed Modification or any Alternative Modification;
- (c) The matters set out in Annex F-1 of the BSC. This will usually be in the form of the relevant Assessment Report where the Proposal has been submitted to a Modification Group prior to the Report Phase;
- (d) An explanation of the Panel's rationale should the Panel form a different view of any matters contained in the Modification Group Report; and
- (e) A summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Proposed Modification and any Alternative Modification.

4 HISTORY OF PROPOSED MODIFICATION

Modification Proposal P20 was submitted on the 18 May 2001 by London Electricity. An Initial Written Assessment (IWA) was produced by ELEXON and issued for comments. It was then presented to the Panel on 28 June 2001 with a recommendation that the Modification Proposal be progressed through the Assessment Procedure supported by a Modifications Group and that an Assessment Report be submitted to the Panel for its meeting on 26 July 2001.

Following the Panel's decision to accept the IWA recommendation to undertake an Assessment Procedure, as detailed in Clause 2.6 of Section F of the BSC, a P20 Modifications Group met on 10th July 2001 to consider the proposal.

Following the first Modification Group meeting, a consultation exercise was undertaken with responses invited by 17 July 2001. Concurrent with this consultation exercise, ELEXON undertook refinement of their view on the impact on the BSC and High Level Impact Assessments were requested from NGC, MRASCo and the Central Registration Agent.

A second Modification Group meeting was held on 17 July 2001 to consider the responses to the consultation, updates in impact assessments and the contents of the report to be presented to the BSC Panel.

An Assessment Report was presented to the Panel at its meeting on 26 July 2001.

A draft of this Modification Report was consulted on after the Panel Meeting on 26 July 2001. This Report, revised after the consultation process, was presented to the Panel at its meeting on 23 August 2001. The final version was approved by the Panel at that meeting prior to being forwarded to the Authority for determination.

5 DESCRIPTION OF PROPOSED MODIFICATION

The proposal seeks to allow BM Units and Metering Systems to be registered in the name of a BSC Party that is an Affiliate (as defined in the BSC) of the BSC Party that is responsible (pursuant to paragraph K1.2.2 of the BSC) for the exports or imports of electricity at the relevant Boundary Point.

It should be noted that some Modification Group Members felt that the proposal (and its alternative) was ambiguous in relation to precisely which obligations transferred from the principal to the nominated Lead Party. One interpretation was that all the obligations detailed in clause 1.2.1 of section K of the Code transferred. The counter view was that those responsibilities in clause 1.2.1 (a) of Section K (the obligation to install, maintain and operate Metering Equipment) would not transfer. There was also some debate as to whether the obligations in clause 1.2.1 (b) (the obligation to register a Metering System) should go hand-in-hand with those in clause 1.2.1 (a).

In considering the basic elements of the Modification proposal, the Modifications Group considered that there was no particular significance to the concept of an Affiliate acting on behalf of a given Party. The Modifications Group took the view that, so long as the necessary undertakings were given that the Party acting as Lead Party was able to fully discharge all of its obligations under the BSC, then affiliation became a limitation, with no discernible benefit. The Modifications Group, therefore, considered that an Alternative Modification should be established, whereby a Party acting on behalf of another Party, in the manner described in P20, could be any such Party so designated.

6 SUMMARY OF REPRESENTATIONS

Seven representations were received in response to consultation on the draft Modification Report. These representations reflected the views of seventeen BSC signatories and all supported the Panel recommendation that both P20 and P20 (alternate) should be rejected. Two of the respondents (reflecting the views of five participants) also reiterated their view that the current arrangements were satisfactory and that there was, therefore, no requirement for these proposals. One respondent (reflecting the views of three participants) suggested that a wider review of registration obligations might be contemplated. These representations are provided in Attachment 1.

Additionally, summaries and copies of previous consultation responses received and considered by the P20 Modifications Group can be found as follows:

- The representations received under the initial consultation on Modification Proposal P20 are detailed in the P20 Consultation Report.
- A second consultation on the detail of Modification Proposal P20 was undertaken and the representations received in response to this further consultation can be found in the P20 Assessment Report. This Modification Report should be read in conjunction with that P20 Assessment Report.

Copies of both reports are available from the ELEXON website (www.elexon.co.uk)