

1 SUMMARY OF REPRESENTATIONS

1.1 Initial Consultation

See main body of Report.

1.2 Second Consultation and Detailed Level Impact Assessment

See main body of Report.

1.3 Consultation on Draft Modification Report

See main body of Report.

1.4 Consultation on the Revision to the Implementation Date of Modification Proposal P8

The Modification Report consultation request resulted in the receipt of **twelve** responses on behalf of **twenty-two** BSC Parties. These responses are provided in ANNEX 1 of this Attachment to the main Modification Report.

To summarise:

- The majority of the BSC Parties (**seventeen** in total) supported the revision in the Implementation Date to 25th September 2001;
- One response (**one** BSC Party) provided a comment which is no longer applicable; and
- One response (representing **four** BSC Parties) had two reservations about the retrospective application to 5th April 2001 of the Proposed Modification. The two reservations related to the availability of information to the market about the effects of errors in the operation of Workaround 024 and that in general retrospective changes to cashout prices should be prevented. The responder indicated however, in this case, that they were sympathetic to retrospection as Workaround WO24 is not very robust, based on the assumption that the errors are not minor and that there is no systematic retrospective effect on cashout price.

ANNEX 1 – COPIES OF REPRESENTATIONS

The following submissions were received in response to the consultation on the revision to the Implementation Date.

No	Company	File Number
1.	NGC	P8_MR2_001
2.	Vattefall	P8_MR2_002
3.	Powergen	P8_MR2_003
4.	Scottish and Southern Energy on behalf of Southern Electric, Keadby Generation Limited and Scottish and Southern Energy Supply Limited	P8_MR2_004
5.	TXU Europe Energy Trading Ltd on behalf of all TXU companies	P8_MR2_005
6.	SEEBOARD	P8_MR2_006
7.	Enron Europe	P8_MR2_007
8.	BGT	P8_MR2_008
9.	Northern Electric	P8_MR2_009
10.	Scottish Power UK Plc, Manweb Plc and Emerald Power Generation Ltd	P8_MR2_010
11.	London Electricity, South Western Electricity, Jade Power and Sutton Bridge Power	P8_MR2_011
12.	British Energy for British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd	P8_MR2_012

P8_MR2_001 – NGC

I have a minor comment on the mod report for P8

The amendments proposed to section Q still include paragraph 6.3.5 - is this still required now that the change is proposed prospectively? My view is that this paragraph was introduced to cope with an effective date of 5 April 2001, and this has now changed to 25 September 2001, so is it still required?

No other comments

Regards

John Greasley

P8_MR2_002 – Vattenfall

Based on the information given in the consultation paper of 7 September 2001 and especially the risk of delaying the implementation of the P18 Interim solution, Vattenfall is supporting a revision of the P8 Effective Date from 5 April 2001 to 25 September 2001.

Best regards,

Bo Wahrgren

P8_MR2_003 – Powergen

Proposed Variation to BSC – Modification Proposal No: 8 – Introduction Of A Price Adjuster To Reflect Option Fees For Balancing Services Contracts In Setting System Buy Price And System Sell Price.

Powergen UK plc ('Powergen') welcomes the opportunity to comment on the consultation issued for P8 on the 7th September. Powergen provides this response on behalf of itself and the following BSC Parties: Powergen Energy plc, Diamond Power Generation Limited, and Cottam Development Centre Limited.

In response to the consultation :-

- Powergen support the recommendations of Elexon under section 5 of the consultation document to revise the effective date of modification P8 to the 25th September 2001.

Yours Sincerely
James Hawkins

Strategy & Regulation
Energy Trading
Powergen
02476 42 4737.

P8_MR2_004 – Scottish and Southern Energy

In response to points raised under the above consultation, we have the following comments:

Changes in Methodology

Modification Proposal P3 proposed a Price Adjuster for System Sell Price and System Buy Price by altering the BSAD Methodology. The implementation of Workaround W024 was a temporary solution to P003. The original Modification Proposal P8 quite clearly states that "This modification proposes to retain the same functionality, but to implement the Price Adjuster within the BSC and Elexon's central systems. ". As such we believe the methodology under P08 is essentially the same. The main difference between P03, P08 and W024 is in the application of that methodology.

Effective Date and Retrospective Implementation Assessment Report dated 20th July quite clearly states on page 6 para 1.1 that Workaround 024 was originally designed to be replaced prior to the Final Reconciliation Run. This was essentially due to the identified risk of error associated with application as referred to in paragraph 5.8.3 on page 19. In recognition of that the report states that the implementation date of August 2002 was being looked at being brought forward. Paragraph 5 also clearly refers to an effective date of 5th April "on the basis that the correct BSAD data should be reflected in the BSC System in line with the Ofgem determination on Modification P003. Furthermore page 26 para 10.1.1 deals with Impact on Transmission Company. It states quite clearly that changes will be required to incorporate the revised BSAD process. It states "the Transmission company would be required to provide retrospective data for all Settlement Days from 5th April 2001 to the Modification implementation date". At no point in this report or in subsequent reports was it identified that this

might be a problem. Furthermore, no issues were identified under Legal Issues in Section 11 of that report.

Modification Report dated 30 July and 17th August again quite clearly states an effective date of 5th April and refer to a one-off requirement to re-set BSAD for days between settlement day 5th April 2001 and actual implementation date "to ensure that BSC Systems perform their next settlement calculation in line with the rules of both P3 and P8but using the more accurate software solution introduced with P8."

Conclusion

Based on the above, we believe the effective date, the intention to apply changes retrospectively, the justification for applying changes retrospectively and the consequences of having an effective date that precedes the implementation date should have been well understood by all. Workaround 24 was always envisaged to be a temporary solution and the problems associated with the risk of error and level of accuracy are well documented. Indeed they are recently referred to in Elexon Circular EL00191.

Further Comments and Concerns

As such SSE have the following comments in relation to the above consultation:

Given Ofgem and NGC involvement in the Modification Group and development of reports we are concerned that issues raised under the above consultation are emerging at this late stage.

We are not aware of any specific instances where parties have indicated that they had not appreciated the retrospective element and it is not clear how material an issue this is i.e. how many parties were unaware of this aspect of the proposal?

We are concerned that the consultation report indicates that it is not a sufficiently strong justification that all reports have specifically stated an implementation date of 5th April. If this is the view held, what action would be required in future to ensure parties understand this and any other point?

It is not clear what the legal implications are for retrospective changes to BSAD methodology, despite seeking further clarification from Elexon or that they are justified.

We believe the concerns expressed in relation to the effective date and retrospection are not particularly clear or strong arguments. Given the risk associated with the workaround, the fact that the net effect of changes is minimal and there is evidence that the methodology is viewed as being essentially the same we believe P08 should be capable of being progressed with an effective date of 5th April as originally envisaged and imbalance liabilities finalised in the most accurate way under the application of P08.

However we recognise the dependency with P18 and our overriding concern is that proceeds and becomes effective on the 25th September. We would ask that some attempt is first made to work with NGC and Ofgem to clarify and progress issues associated with P08 with an effective date of 5th April in time for the 25th September deadline, perhaps under the Urgent Modification route. Only if it is established that there are genuine issues which can't be resolved would we be agreeable to amending the effective date for P08 to 25th September and in this case we would ask that the points raised under

Further Comments and Concerns are addressed at some point in future to avoid any problems in relation to other Modification Proposals.

Response on behalf of Southern Electric, Scottish and Southern Energy, Keadby Generation Limited and Scottish and Southern Energy Supply Limited.

Regards
Beverley
Market Development

P8_MR2_005 – TXU Europe Energy Trading Ltd

Thank you for the opportunity to comment on the changes to the proposed Effective Date of Modification P8. TXU Europe Energy Trading Ltd would like to make the following comments on behalf of all TXU companies. TXU supports the proposed change to move the effective date from 5th April 2001 to 25th September 2001.

Regards
Nicola Lea
Market Development Analyst
TXU Europe Energy Trading Ltd

P8_MR2_006 – SEEBOARD

SEEBOARD supports this revision of P8 effective date to 25th September 2001.

One concern raised by our service provider with this modification is regarding data flow SAA-I014. Will two concurrent versions be provided after implementation date, 27th March 2002. That is current form for settlement runs for dates up to and including 24th September 2001, required until November 2002, and new version for 25th September 2001 onwards?

Dave Morton
SEEBOARD
0190 328 3465

P8_MR2_007 – Enron Europe

Consultation on Revision to Effective Date for Modification Proposal P8

Response by Enron Europe
14 September 2001

Enron Europe Ltd advocates that the Panel change its recommended Effective Date for P8 from 5 April 2001 to 25 September 2001.

In deciding whether to change its recommendation on P8's Effective Date, the Panel must trade off the cost of delaying P8 against the risk, and ensuing cost, that GEMA rejects P8 if it has an Effective Date of 5 April.

Delaying P8's Effective Date to 25 September means that Workaround W024 rather than P8 will determine final prices from 5 April to 24 September. Since W024 is intended to achieve the same price outcome as P8 this will have relatively little impact on final prices.

Alternatively, by retaining P8's Effective Date as 5 April, the Panel runs the risk that GEMA will reject P8. Rejection will prolong the use of W024 until a replacement modification for P8 is proposed, accepted and implemented.

Rejection of P8 may also delay implementation of P18. P18 will significantly improve the relationship between imbalance prices and the market fundamentals of supply and demand. This relationship is necessary to provide efficient price signals to the market. A delay to P18 will be costly because it will prolong the use of imbalance prices that incentivise the system to be long and stifle liquidity in the traded markets.

In balance, the likely benefits of the Panel changing P8's recommended Effective Date to 25 September outweigh the costs of the change.

It is not entirely clear why P18's Effective Date is dependent upon implementation of P8. Therefore, before changing its recommended Effective Date for P8, the Panel should investigate the possibility of retaining P18's Effective Date as 25 September, even if P8's Implementation Date is delayed till after 25 September.

P8_MR2_008 – BGT

Consultation on Revision to Effective Date for Modification Proposal 8

Thank you for the opportunity of responding to this consultation.

British Gas Trading (BGT) note the issues raised regarding the potential for retrospective changes to BSAD data if the effective date of 5 April 2001 for P8 is used. We support changing the effective date to 25 September 2001 although as Workaround 24 and P8 are intended to give the same effect we would not have anticipated any impact on either the BSAD data or NGCs licence would have been necessary.

We would like to take this opportunity to reiterate our support for modification P8. It is important that this modification is introduced as rapidly as possible particularly considering the associated risk of human error in using Workaround 24.

BGT are also concerned that the interim solution for P18 could be held up if no decision is made on the effective date of P8 by 25 September 2001. P18 was raised and progressed as an urgent modification to address a serious problem. It is imperative that P18 is implemented as soon as possible and should not be held up on the basis of problems associated with other modifications.

Yours faithfully

Danielle Lane
Transportation Analyst

P8_MR2_009 – Northern Electric

Modification Proposal P8: 'Introduction of a Price Adjuster to reflect Option Fees for Balancing Services Contracts in Setting SBP and SSP'.

Northern Electric and Gas welcomes the opportunity to comment on modification P8 'Introduction of a Price Adjuster to reflect Option Fees for Balancing Services Contracts in Setting SBP and SSP'.

Having considered the options outlined in the Modification Report of Modification Proposal P8', Northern Electric supports this proposal. We welcome the recommendation in the Modification Report that the Modification Proposal should be approved.

We hope that these comments are helpful,

Yours faithfully

Lesley Mulley
Industry Communications Manager

P8_MR2_010 – Scottish Power UK Plc

Modification Proposal P8 – Introduction of A Price Adjuster to Reflect Option

FEES FOR BALANCING SERVICES CONTRACTS IN SETTING SBP AND SSP

After further consideration of the above proposal and the Draft Modification Report, I refer you to our previous comments at the assessment stage. We supported the Panel's recommendation then and if the current proposed revision gives a greater chance of implementation, then we would also support this change. We however need further assessment of system and business implication of the proposed implementation.

I trust you find these comments helpful, and please do not hesitate to contact me should you wish to discuss any points further.

Yours sincerely,

Man Kwong Liu

Scottish Power UK Plc, Manweb Plc and Emerald Power Generation Ltd

P8_MR2_011 – London Electricity

Dear Sir,

Thank you for the opportunity to comment on the possibility of a revision to the effective date of Modification Proposal P8.

We have two reservations about the retrospective application to 5th April of Modification P8. These are:

- There has been no information available to the market about the effects of errors in the operation of Workaround WO24. This makes it impossible for market participants to make an informed judgement about retrospection in this particular case.
- In general, we are against retrospective changes to cashout prices – we believe that the integrity of NETA is compromised by the publication of prices which are subsequently changed as this can affect parties' views of likely cashout prices and therefore their actions in the near market and the balancing mechanism.

However, in this case, we are sympathetic to retrospection as we are aware that Workaround WO24 is not very robust, based on the assumption that the errors are not minor and that there is no systematic retrospective effect on cashout price. The provisions of better information would have enabled us to make a more informed judgement.

We note that there is an error in questions 6.1 and 6.2, in that 6.1 (and the text of the consultation) invites respondees to support a revised retrospective application date of 5th April, whilst 6.2 then asks them not to support this date. It is clear from the context that this is a typographical error.

Yours sincerely

Liz Anderson
(London Electricity, South Western Electricity,
Jade Power and Sutton Bridge Power)

P8_MR2_012 – British Energy

British Energy supports the proposal that P8 be implemented with effect from Settlement Day 25 September 2001 instead of 5 April 2001 in order to avoid retrospective changes to the BSC and the NGC BSAD Methodology.

We note that as a result the manual workaround process W024 implemented following approval of modification P3 will remain applicable for the period from settlement day 5 April 2001 to 24 September 2001, and hope that Elexon and NGC will continue to endeavour to ensure that the data used and calculations performed are free of significant errors.

Regards,

Martin Mate
for
British Energy Power & Energy Trading Ltd
British Energy Generation Ltd
Eggborough Power Ltd

ANNEX 2 – MODIFICATION PROPOSAL P8

See main body of Report.