

1 SUMMARY OF REPRESENTATIONS

1.1 Initial Consultation

See main body of Report, Attachment 2.

1.2 Industry Consultation and Impact Assessment

See main body of Report, Attachment 2.

1.3 Consultation on Draft Modification Report

The Modification Report consultation request resulted in the receipt of **ten** responses on behalf of **twenty-two** BSC Parties. These responses are provided in ANNEX 1 of this Attachment 3 to the main Modification Report.

To summarise:

- **Eight** responses, on behalf of twenty BSC Parties, **supported** the recommendations;
- One response (one BSC Party) neither supported nor rejected the recommendations; and
- **One** response (one BSC Party) **rejected** the recommendations.

In detail, eight responses, on behalf of twenty BSC Parties, indicated support of the Alternative Modification and therefore for the recommendations made by the BSC Panel in the Modification Report. Some comments and concerns were raised in these responses, as follows:

- Three responses (on behalf of nine BSC Parties) expressed a preference for limiting the ability to aggregate within a GSP Group to Affiliate companies only. The reasons provided for supporting such limitation were:
 - Enabling a grouping of any Suppliers within a GSP Group introduces competition issues and potentially enables market manipulation;
 - Limiting aggregation to company groups does not fundamentally impact established principles with regards to embedded benefits; and
 - Extension of the principle of the original Modification Proposal to include companies not within a company group may prejudice approval of the Alternative Modification.
- One response (on behalf of four BSC Parties) raised an issue regarding associated amendments to the Use of System (UoS) charging methodologies being undertaken by the Transmission Company. The response indicates that the Transmission Company are to issue a UoS Charge Consultation which clarifies the circumstances of UoS charging in the future (paper UoSCM-M-01). The response asserts that if Ofgem were to approve this paper, full realisation of embedded benefits would not occur without an associated

implementation of Alternative Modification P7. Therefore the response requests that the Panel and Ofgem recognise that the full realisation of embedded benefits requires co-ordination of the implementation of the amendments to the BSC required to give effect to Alternative Modification P7 and of the implementation of any amendment to the Transmission Company's UoS Charging methodology.

It is believed that the above concerns have been addressed by the Modifications Group, in consideration of the consultation responses on the Assessment Report.

One response (one BSC Party) did not provide any indication of whether the recommendations made as part of the Modification Report were supported or rejected.

One response (one BSC Party) did not support the recommendations made in the Modification Report and indicated rejection of both the Modification and the Alternative Modification. The reasons provided for such rejection were stated as:

- Incurs costs for many, but with benefits for few;
- Other mechanisms, other than changes to the Balancing and Settlement Code, could be invoked to the same effect; and
- Expressed concerns over the mechanism for determination of 'exempt' status, if the aggregation defined under the Modification / Alternative Modification was enabled.

It is believed that the concerns raised here have been addressed by the Modification Group in response to previous consultation responses received.

Two responses (four BSC Parties) suggested amendments to the drafting of the proposed Legal text and it should be noted that these comments were based upon the interpretation of the proposed text, not the intent. Therefore, ELEXON will seek legal advice via review of the suggested amendments and a final draft of the proposed Legal Text will be provided to the Panel Meeting.

ANNEX 1 – COPIES OF REPRESENTATIONS

The following submissions were received in response to the consultation on the draft Modification Report.

Responses from P7 Modification Report Consultation

Representations were received from the following parties:

No	Company	File Number
1.	BGT	P7_MR_001
2.	Scottish and Southern Energy	P7_MR_002
3.	SEEBOARD	P7_MR_003
4.	Powergen UK plc	P7_MR_004
5.	NGC	P7_MR_005
6.	London Electric	P7_MR_006
7.	Northern Electric	P7_MR_007
8.	Scottish Power UK Plc	P7_MR_008
9.	Innogy Group	P7_MR_009
10.	EdF Trading Ltd	P7_MR_010

P7_MR_001 – BGT

British Gas Trading (BGT) is in agreement with the recommendations in the consultation document.

BGT supports the Alternative Modification as we feel it better meets the intent and objective of the proposal in providing further opportunities for industry parties to maximise embedded benefits by reducing overall charging liabilities. The Alternative Modification is a preferred market solution as it enables a change to be implemented at the least cost and impact to existing BSC systems and documents

We therefore agree that the original proposal be rejected and that the alternative proposal detailed in the consultation be adopted.

Regards,

Rob Cullender
Senior Account Manager
Transportation Services

P7_MR_002 – Scottish and Southern Energy

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

In line with our previous comments, SSE agree that the original proposal should be rejected. Our preference is for an alternative modification based on a Trading Unit solution. However we still have concerns that the recommendation to allow any grouping of Suppliers introduces competition issues and would prefer that this option be limited to Affiliated Suppliers.

Regards

Beverley
Market Development

P7_MR_003 – SEEBOARD

As previously stated SEEBOARD do not feel that this change is warranted.

This change will incur costs to many with benefits for a few parties under the same ownership. As we have previously stated there are other mechanisms that these parties could utilise rather than requiring a change to BSC. We have further concerns, for example, in terms of representations to BSC modifications. In this case these parties will be treated as separate entities but for Supplier demand they are treated as one. Should parties wishing to trade in this form also be considered as a single party for representations to BSC modifications. If not parties are independent, or not, depending upon circumstances that suit a party, which does not seem logical and could be considered as discriminatory.

Also if this proposal is to aid, by aggregation, exempt generators/supplier to trade how will exemption status be determined. As we understand it exemption status is applied to aggregated operational ability of exempt generators/suppliers, with 2500kW being the threshold. If there is a contract, either between an exempt operator and a licensed operator or between multiple exempt operators, that exceeds this threshold will the exemptions be lost as they are acting as associates?

Dave Morton
SEEBOARD
0190 328 3465

P7_MR_004 – Powergen UK plc

MODIFICATION PROPOSAL P7 – ALLOCATION OF SUPPLIER DEMAND IN A GSP GROUP FOR ALL SUPPLIERS IN THE SAME COMPANY GROUP.

Thank you for giving us the opportunity to make comments on this proposal. Powergen UK plc provides this response on behalf of itself and the following BSC Parties: Powergen Energy plc, Diamond Power Generation Limited and Cottam Development Centre Limited.

Powergen supports the recommendations of the Panel, but with some reservations which are described below. We agree that the alternative proposal outlined in Section 8 will satisfy the objectives of P7 by remove impediments within the BSC that currently limit full realisation of available embedded benefits. The proposal will help ensure embedded generators will be able to sell their output to a wider range of BSC parties thereby actively “promoting effective competition in the generation and supply of electricity, and (so far as it is consistent therewith) promoting competition in the sale and purchase of electricity”.

In putting forward this proposal we did not express a policy view as to the nature or extent of embedded benefits, merely the ability of relevant BSC parties to fully realise such benefits on a non-discriminatory basis. As a result in our original proposal we sought to limit the aggregation of supplier demand across companies in a GSP group to those within the same company group, believing that this would not fundamentally impact on established principles with respect to embedded benefits. We were concerned that drafting the proposal too widely might prejudice the chance that the proposal might be approved. The Panel may therefore wish to consider whether aggregation of demand between companies not within the same company group to maximise embedded benefits (as recommended in the Draft Modification Report) is reflected in their final recommendation.

The complexity that surrounds this proposal has at times made progress of P7 difficult and made it frustrating for those involved in the process. For example there has been much confusion as to whether the proposal does or does not ensure full realisation of TNUoS charge benefits. The answer appears to be no now but a probable yes in the near future. It appears an anomaly in the existing LC10 charging statement means that TNUoS benefits sought under P7 are in fact currently being provided in error. We had always assumed this would be corrected by NGC as a matter of urgency but has yet to be resolved.

At a recent NGC Transmission Charging Methodology Forum meeting attended by Powergen, NGC indicated that they will shortly be issuing a UoS charge consultation which will clarify in what circumstances TNUoS charges will be applied in future (this paper UoSCM-M-01 Clarification various) is now available in draft form but will not be formally issued until 19 September 2001). Approval of UoSCM-M-01 by Ofgem would mean that without implementation of P7 full realisation of available embedded benefits with respect to TNUoS charges will not possible for many BSC participants. We also understand NGC are shortly planning to issue a UoS charge consultation looking at options for allocation of TNUoS charges following the anticipated implementation of P7.

Full realisation of embedded benefits sought by P7 requires the co-ordination of the implementation of both amendments to the BSC and changes to NGC's UoS charging methodologies. It is important that these processes are carried out in parallel. We trust Ofgem will urge to NGC to progress any consequential changes to the TNUoS charging methodology as a matter of urgency.

Yours sincerely

Peter Bolitho
Trading Arrangements Manager

P7_MR_005 – NGC

P7 – Allocation of Supplier Demand to the same BM Unit in a GSP Group for all Suppliers in the same Company Group

Introduction

Further to our previous comments on this report it has come to our attention that the description of the effect of the legal text to give effect to the alternative modification is misleading. In addition a number of additional “in the same GSP Group” comments are suggested.

Existing BSC Drafting

The current BSC drafting allows any number of Exempt Export BM Units to form a Trading Unit with one Supplier BM Unit. Although Section K4.4.1 only considers adding individual Exempt Export BM Units to a Supplier BM Unit in a Trading Unit, there is no restriction to how many times this can be done. Hence all the following can form valid trading units.

- 1 Supplier BM Unit & 1 Exempt Export BM Unit (all in the same GSP Group)
- 1 Supplier BM Unit & multiple Exempt Export BM Units (all in the same GSP Group)

Legal Text to Give Effect to the Alternative Modification (section 8)

Multiple Exempt Export BM Units can already join with single Supplier BM Unit in the same GSP group. The effect of the changes to the legal text is that all the current options available would still be valid and in addition the following additional option would be available.

Multiple Supplier BM Units & multiple Exempt Export BM Units (all in the same GSP Group)

The text underneath the proposed K4.4 legal text is unclear, it may be taken to indicate that “Two or more Exempt Export BM Units” could form a Trading Unit without a Supplier BM Unit. This is not the case. The wording should be changed to avoid confusion as this was not the intention of the Modification Group, is not possible under the current BSC drafting, and will not be possible when the proposed changes to the Legal Drafting are implemented.

History of the Proposed Modification (Section 4)

In the last sentence of both paragraphs 6 and 7 of this section of the report it would be helpful to add “in the same GSP Group” after the last occurrence of the words BM Unit.

Nigel Brooks
14/9/01

P7_MR_006 – London Electric

London Electricity's view of Modification P7 has not changed since the last consultation, and I copy you our response to that for completeness:

-----Original Message-----

From: Walker Rachel
Sent: 13 July 2001 15:41
To: 'ccc@elexon.co.uk'; 'modifications@elexon.co.uk'
Subject: P7 consultation/assessment

Please find below London Electricity's response to the above modification.

Regards
Rachel Walker

London Electricity agrees with the general principle of modification P7 - Allocation of Supplier Demand to the Same BM unit in a GSP Group for all Suppliers in the Same Company Group to increase the benefits of embedded generation. We would like to agree cost implications for this modification before giving our unconditional support.

We believe that Option 2 is the better solution as this has less of an impact on our systems whilst achieving a broadly similar result.

We do not think that the use of Trading Units will be impractical as it is unlikely that the units will change their configuration very frequently.

Of the three sub-options within Option 2 we support the second sub-option of allowing Affiliate Supplier BM Units and any CVA BM units to be assigned within a GSP Group. This allows the greatest amount of flexibility within a company group without facilitating any market manipulation that may occur by allowing any supplier BM Units to be allocated together. It will also allow a single party to retain control of the Trading Unit which will be in the interests of transparency of action and responsibility which would not occur with sub-option 3.

We expect that changes to our internal systems to accommodate this modification could take up to six months for Option 1 or up to 2 months for Option 2.

P7_MR_007 – Northern Electric

Modification Proposal P7: 'Allocation of Supplier Demand to the same BM Unit in a GSP Group for all Suppliers in the Same Company Group'.

Northern Electric and Gas welcomes the opportunity to comment on modification P7 'Allocation of Supplier Demand to the Same BM Unit in a GSP Group for all Suppliers in the Same Company Group'.

Having considered the options outlined in the Modification Report of Modification Proposal P7', Northern Electric supports this proposal. We welcome the recommendation in the Modification Report that the Proposed Modification should be rejected and the Alternative Modification should be approved.

We hope that these comments are helpful,

Yours faithfully

Lesley Mulley

Industry Communications Manager

Northern Electric and Gas

P7_MR_008 – Scottish Power UK Plc

Modification Proposal P7 – Allocation of Supplier Demand to the Same BM

UNIT IN A GSP GROUP FOR ALL SUPPLIERS IN THE SAME COMPANY GROUP

After further consideration of the above proposal and the Draft Modification Report, I refer you to our previous comments at the assessment stage. While the sub-option recommended was not our original preferred choice, we however do feel that the Alternative Proposal gives a better way to achieve the BSC objectives. We therefore support the Panel's recommendation.

With regard to the drafting of legal text, we would make the following comments: -

1. Sec. K 4.4.1 - "... then the Lead Party(**ies**) for any such Exempt Export BM Unit(**s**) may,..., elect that those Exempt Export BM Unit(**s**) shall belong to the Trading Unit,..."
2. New clause 1.5 in Annex K-2 has a sub-clause 1.5.1 ending in the word "and" but no subsequent sub-clause. Perhaps Elexon can clarify whether there is further legal drafting, which has been omitted, or whether it is intended to have the one clause, viz. 1.5.

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

P7_MR_009 – Innogy Group

Innogy Group (Innogy plc, Innogy Cogen Trading Limited, Npower Limited, Npower Direct Limited, Yorkshire Electricity Group) supports the recommendations in the draft Modification Report.

Best regards,

Richard Harrison
Npower Finance - Commercial Services
NETA & BSC Issues Manager

P7_MR_010 – EdF Trading Ltd

On behalf of EdF and EdF Trading Ltd I would like to comment that the reasons for rejecting the Proposed Modification and for recommending the Alternative Modification as given in the Elexon document appear both reasonable and acceptable. The new P7 modification would seem to fit the Transmission Licence and the BSC objectives better and as such would receive the above Companies' support.

Steve Drummond

ANNEX 2 – MODIFICATION PROPOSAL P7

See main body of Report, Attachment 2.