



Memorandum

To P198 Modification Group **cc.**
From Kathryn Coffin
Date 13 June 2006

P198: ALTERNATIVE MODIFICATION IMPLEMENTATION COSTS

This memo sets out the estimated implementation and operational costs of the two options for an Alternative Modification to P198 (seasonal TLFs and linear phasing). These estimates are based on the results of impact assessments conducted by ELEXON, BSC Agents, BSC Parties and the Transmission Company.

The costs given in this memo are the 'additional' costs of the Alternative options compared with the Proposed Modification. These costs therefore need to be added to those already provided for the Proposed Modification to see the 'full' costs of each option. Please refer to the previous memo to the P198 Modification Group (dated 18/04/06) for a description of the Proposed Modification costs.

Transmission Company Costs

Neither of the two options for an Alternative Modification would have any additional impact on the Transmission Company compared with the Proposed Modification.

ELEXON Costs

Potential Alternative Option 1 (seasonal TLFs) would increase the ELEXON implementation effort by 13 man days to amend BSC Systems documentation (equating to an extra £2,860). There would be no increase in the ELEXON operational costs.

Potential Alternative Option 2 (linear phasing) would have no additional impact on ELEXON, since the 'beta' scaling factor would be applied by the TLFA as part of its calculations.

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BSC Party and Party Agent Costs

P198 would have no impact on any Party Agents.

The table below summarises the responses received from BSC Parties to the Proposed Modification and/or Alternative Modification impact assessments.

BSC Party Name(s)	Impacted by P198?	Proposed Modification Development Time	Proposed Modification Costs	Additional Impact from Alternative?	Additional Development Time for each Alternative Option	Additional Costs for each Alternative Option
E.On UK Plc	No	Minimal	None	No	None	None
Southern Electric Power Distribution, Keadby Generation Ltd, SSE Energy Supply Ltd, SSE Generation Ltd, Scottish Hydro-Electric Power Distribution Ltd, Medway Power Ltd	Yes	Not specified	Confidential costs provided	Yes	Not specified	Confidential costs provided
EDF Energy	Yes	At least 3 months	£150,000-£200,000	No	None	None
Scottish Power UK plc, ScottishPower Energy Management Ltd, ScottishPower Generation Ltd, ScottishPower Energy Retail Ltd, SP Manweb plc, SP Transmission Ltd, SP Distribution Ltd	Yes	Minimum 8 months	c.£200,000	Yes	Negligible	Negligible

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BSC Party Name(s)	Impacted by P198?	Proposed Modification Development Time	Proposed Modification Costs	Additional Impact from Alternative?	Additional Development Time for each Alternative Option	Additional Costs for each Alternative Option
Npower Limited, Npower Yorkshire Limited, Npower Yorkshire Supply Limited, Npower Northern Limited, Npower Northern Supply Limited, Npower Direct Limited	Yes	At least 6 months	Confidential costs provided	No response provided		
British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, British Energy Direct Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd	Yes	3-6 months	Costs likely to be significant and measured in at least 6 figures	Yes	One month	Not specified

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BSC Agent Costs

Potential Alternative Option 2 (linear phasing) would have no additional impact on the Central Services Agent (Logica), since the 'beta' scaling factor would be applied by the TLFA in its calculations.

The table on the following page shows the additional Logica costs for Alternative Option 1 (seasonal TLFs). Note that these would need to be added to the Proposed Modification costs to see the 'full' costs of this option.

During the Logica impact assessment, a question was raised regarding the date that the TLF values would change each year. Currently, this date is set to be 1 April (i.e. TLFs would be recalculated for each BSC Year). However, none of the start dates for the four BSC Seasons correspond to the start date of a BSC Year. Option numbers 1-3 in the table therefore correspond to the following approaches to this issue:

Option 1: Leave applicable period as the BSC Year (1 April - 31 March)

Under this option, there would effectively be 5 TLF values per BM Unit in each BSC Year, with the following start and end dates:

- Spring TLF 1 (1 April - 31 May);
- Summer TLF (1 June - 31 August);
- Autumn TLF (1 September - 30 November);
- Winter TLF (1 December - 28/29 February); and
- Spring TLF 2 (1 March - 31 March).

Note that Spring TLF 1 and Spring TLF 2 would be the same value (i.e. the same number), but this would need to be split in two due to the need to have start and end dates within a particular BSC Year.

Due to the annual nature of the TLF calculation, the Spring TLF value applicable to a BM Unit would therefore change on 1 April each year (part way through the Spring BSC Season).

Option 2: Use different applicable period tied to BSC Seasons

Under this option, the applicable period for TLFs would be 12 months from either 1 March, 1 June, 1 September or 1 December (i.e. implementation and the annual calculation would be tied to one of the BSC Seasons).

This approach would also require a different duration for the Reference Year in the TLF calculation, and a different Implementation Date.

Option 3: Use quarters rather than BSC Seasons

Under this approach, the applicable period for TLFs would still be a BSC Year (1 April - 31 March) - but the BSC Year would be subdivided into quarters ('TLF Seasons'), such that none of these quarters overlapped the start of the BSC Year. These would therefore be different to BSC Seasons, and the exact date ranges would need to be decided by the Group.

There would therefore be four values per BM Unit in each BSC Year - one for each of the 'TLF Seasons'.

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Type of Cost	Manual Option 1	Manual Option 2	Manual Option 3	Scripted Options 1-3
Implementation	£0	£0	£0	£7,102
Operational (per annum)	£1,380	£255	£3,405	£-1,095

The manual options shown in the table represent the costs of manually entering seasonal TLF values under options 1-3. The implementation costs of these manual options would be zero; however, they would have different levels of operational costs.

Due to the greater potential for human error when manually entering multiple values, Logica also suggested a more automated approach where a script would be used to load the TLF values. This would incur an initial implementation cost (identical for all of options 1-3), but would reduce the yearly operational costs thereafter.

The introduction of seasonal TLFs would also impact the TLFA. However, this additional impact is already covered by the tolerance associated with the TLFA costs.

Implementation Lead Time

The implementation lead time for the Proposed Modification P198 is twelve months. Although the Alternative Modification would increase the amount of BSC Agent and ELEXON implementation effort, this additional work could be paralleled with the TLFA procurement and development. A 12-month implementation lead time would therefore also be achievable for either Alternative option.