Responses from Assessment Procedure Consultation

Consultation Issued 21 May 2004

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	SmartestEnergy Ltd	P157_AP_001	1	0
2.	Central Networks	P157_AP_002	1	0
3.	British Gas	P157_AP_003	3	0
4.	RWE Npower	P157_AP_004	10	0
5.	Scottish Power	P157_AP_005	6	0
6.	Energywatch	P157_AP_006	1	0
7.	Powergen	P157_AP_007	15	0
8.	BizzEnergy	P157_AP_008	1	0
9.	Scottish and Southern	P157_AP_009	5	0
10.	EDF Energy Networks	P157_AP_010	9	0
11.	British Energy	P157_AP_011	3	0

P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Colin Prestwich*
No. of Parties Represented	*1*
Parties Represented	*SmartestEnergy Limited*
No. of Non Parties Represented	*0*
Non Parties represented	*0*
Role of Respondent	*Consolidator*

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	Yes	We are however surprised at the high level of this cost in the half hourly market (compared with the NHH number which is the area with the worst performance) and suggest that further analysis is required over a longer period to refine this value.
2b	Do you consider that the cost of uncertainty as put forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?	No	We do not believe that any party costs in the uncertainty of settlements being inaccurate.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	Yes	
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	Yes	
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	Yes	
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	Yes	
3.	*The questions below all refer to caps*		
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	Yes	
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.	Yes	
4.	*The questions below all refer to redistribution*		

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Q	Question	Response Error! Bookmark not defined.	Rationale
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	Yes	
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	No	We would prefer a split along the lines of 80/20 on the basis that there would be a greater incentive on the NHH market to perform and it would mitigate against the increased liquidated damage in the HH market.
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	Yes	
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.	Yes	3 years would seem appropriate
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools available to the PAB to encourage good performance? See Section 2.2 Please state rationale.	No	This approach does not work well for participants that have low market shares.
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	Yes	

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Q	Question	Response Error! Bookmark not defined.	Rationale
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.5 Please state rationale.	Yes	We support the non PGC approach.
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

Please send your responses by **17:00 on Friday 21 May 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P157 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Dena Harris on 020 7380 4364, email address dena.harris@elexon.co.uk.

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From: Sue Pritchard
Sent: 21 May 2004 11:04
To: Modification Consultations
Subject: Central Networks Response to P157 Assessment Consultations

Good Morning,

Central Networks would like to return a response of 'No Comment' to P157 Assessment Consultations.

Regards,

Deborah Hayward
Distribution Support Office &
Deregulation Control Group
Central Networks West PLC

P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Name Eddie Wall BSC Account Manager British Gas*
No. of Parties Represented	*3*
Parties Represented	*Participant ID's ENRD EDIR BGAS*
No. of Non Parties Represented	
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	*Supplier*

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	Only as a package with exclusion of peer group comparison tables.
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	Yes	
2b	Do you consider that the cost of uncertainty as put forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?	No	No alternative method to propose.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	No	British Gas consulted with its legal team and asked if a liquidated damage include avoidable costs too, or must it be limited to a genuine pre-estimate of costs. They replied: *"This depends on how such a pre-estimate of loss is agreed to be calculated by the Parties.* *Under the current contract, avoidable losses such as the costs associated with the Board are not included. Clause 1.3.1 states that the charges set out in the menu of Supplier Charges represents a "genuine pre-estimate of the loss likely to be suffered by the parties as a result of a failure by a Supplier to meet the applicable Performance Level and is reasonable in all the circumstances", and further in clause 1.3.2 which states that "each of the Parties acknowledge that the charges in the Menu of Supplier Charges constitute the sole remedy of a party in respect of any claim for damages arising from any failure by a Supplier to meet the applicable Performance Level or Serial".* *Given the above wording, it is clear that the intention between the Parties is not to include any losses other than those which result directly from the Supplier failing to meet the standards. To add in these extra costs of, for example, this Board would make the charges not limited to compensation, but penal too, as the Supplier which fails the most will contribute the most to the costs of this Board. Liquidated damages should be compensatory and not penal in nature, and it is for the claiming Party to prove that this is the case in the event of dispute. "*

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Q	Question	Response Error! Bookmark not defined.	Rationale
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	No	ELEXON should clarify how 15% figure has been calculated/quantified.
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	Yes	Suggest larger sample could be used to validate this method.
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	No	British Gas sought legal advice on the collection and redistribution of suppliers charges (genuine pre estimate of loss). The response from our legal team was as follows; *"These are linked under the current Annex S-1. The Performance Assurance Board (the "Board") collects the charges and distributes them in a 90:10 ratio between the qualifying Suppliers and qualifying Trading Parties respectively. The collection and redistribution of charges should be linked as it provides a clear connection between the charges collected and the parties which receive compensation as a direct result of a failure by a Supplier in meeting the applicable Performance Level. To remove the link weakens the compensatory requirement of liquidated damages and as a result the charges could be argued to be penal in nature. "* British Gas believe that the Performance Assurance and PAB escalation processes has the processes to manage under performance for these 2 Serials. British Gas does note that Liquidated Damages do incentivise performance in this area. These serials are a measure of timeliness not accuracy.
3.	*The questions below all refer to caps*		

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Q	Question	Response Error! Bookmark not defined.	Rationale
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	Yes	
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.	No	1% is too extreme a jump. The British Gas representative on the VASMG group suggested that "Profit Margins" were not discussed in this context. British Gas believe that the caps should only be changed via formal industry change and not at the discretion of PAB.
4.	*The questions below all refer to redistribution*		
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	No	See legal comments in 2f. However redistribution "method" is suitable. This is method is supportive of the necessary step changes to improve to the standard of 97%.
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	Yes	
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	Yes	
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.	Yes	Subject to annual review

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Q	Question	Response Error! Bookmark not defined.	Rationale
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools available to the PAB to encourage good performance? See Section 2.2 Please state rationale.	No	No evidence that PGC work – OFGEM supported this view in VASMG. PAB already have the ability to do coded PGC and this has not been fully utilised yet. Accuracy of PGC data questionable. PAB already have a variety of options within the current escalation process, PGC add no additional benefit. Last PGC consultation received only one positive response from whole of industry. Should PGC be introduced PAB must have structured PGC escalation process.
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	Yes	
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.5 Please state rationale.	Yes	(2.4) British Gas supports the "Supplier Charges Module only i.e omitting the PGC aspect of P157". British Gas believe Industry have yet to see benefits of current PAB 97% escalation process or the benefits of P99 introduced on the 1st May 2004
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	However the VASMG has yet to consider the email sent by John Sykes from Scottish and Southern.
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	Yes	ELEXON BSC Review has not been completed yet and this may aid development of this proposal. The same applies to the financial/performance benefits from P99 introduction. British Gas response subject to MOD cost clarification.

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P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Carl Wilkes*
No. of Parties Represented	*10*
Parties Represented	RWE Trading Gmbh, RWE Innogy plc, Innogy Co-gen Ltd, Innogy Co-gen Trading Ltd, Npower Direct Ltd, Npower Ltd, Npower Northern Ltd, Npower Northern Supply Ltd, Npower Yorkshire Ltd, Npower Yorkshire Supply Ltd
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	*Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent*

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	We believe the modification as proposed does not better meet the relevant BSC objectives. The proposal to restrict the payment of the 'compensation' to certain parties not only appears to be discriminatory, some elements of the 'genuine pre-estimate of loss' appear logically unsound. Hence these aspects are open to legal challenge, with a risk of losing this Performance Assurance technique and consequent risks to all market participants.
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	Unclear	The calculation could depend significantly on the sample chosen (it may vary significantly by Profile Class/SSC and GSP Group) as well as the behaviour of Suppliers in response to the change in the 'incentive'.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2b	Do you consider that the cost of uncertainty as put forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?	No	None of the alternatives represent a clear and unambiguous methodology that can clearly justify the inclusion of this factor in the genuine pre estimate of loss calculation.
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	No	The Modification Group had difficulty in measuring attributable central incremental costs, so again this would be open to challenge.
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	No	The 15% weighting is arbitrary and cannot be justified.
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	No	Using profiling data to base these charges is not appropriate. Profiles in this context reflect at best the load shape of a 100kw sites and are therefore unreflective of those sites significantly above 100kw. If we are to use load shapes for the basis of this charge it could be argued that there is already an incentive for Suppliers to install HH metering at these sites. An alternative would be to weight the charge in line with the cost of installation i.e. to deter those suppliers who deliberately trying to evade this cost.
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	Qualified Yes	This seems a reasonable charge for the administrative costs caused by failure to comply with these serials. However, it may be worth considering a change to the basis of charging (possibly with a smaller charge on a per Serial or per provider basis) to take account of the P99 data provision arrangements and overcome the problem that if one Agent fails to provide a report in a GSP Group there is then no incentive to ensure that any of the other reports are delivered.

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Q	Question	Response Error! Bookmark not defined.	Rationale
3.	*The questions below all refer to caps*		
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	Yes	As given on the consultation paperwork e.g. unlimited liability is unsuitable for commercial contracts.
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.	No	The 1% figure appears to have some of the desired properties. However, it is essentially an arbitrary figure which would be unlikely to be able to withstand a legal challenge. The provision that allows PAB/The Panel to change this level without going through the modification process also appears to conflict with the concept of a genuine PRE-estimate of loss, and would therefore be open to legal challenge.
4.	*The questions below all refer to redistribution*		
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	No	We believe the method outlined (which would compensate some other parties but not others for the impact of a Supplier's non-performance) is discriminatory and undermines the concept of liquidated damages.
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	Yes	However, we believe that the 90/10 rule does have the potential to be contentious, if it is not based on consideration of what proportion of non-performance impacts other Suppliers through the GSP Group Correction Factor and what proportion impacts Trading Parties who would otherwise pick up the costs.
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	Yes	This is an essential part of any reasonable arrangement.
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.		Reviews should only be carried where a material change to the market (including technology) means that current arrangements are no longer efficient or effective as they were before the change. Frequent reviews represent a cost to the market and are usually accompanied by increased risk.

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Q	Question	Response Error! Bookmark not defined.	Rationale
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools available to the PAB to encourage good performance? See Section 2.2 Please state rationale.	Yes	This is a good suggestion. The provisions for prior review and appeal before publication are critical.
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	Qualified Yes	This is the least disruptive option. However, the later any decision by the Authority to implement this (or any Alternative), the more decisions/actions will already have been taken by Suppliers which could have differed if they had been aware of the change.
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.5 Please state rationale.	Yes	Setting the charges in the Supplier Charge Module to Zero.
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	A modified version of the proposal without the restriction on re-distribution, without the provision for the Panel/PAB to vary the Cap percentage and with appropriate changes to the rationale for the genuine pre-estimates of loss to make these legally robust.
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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Any queries on the content of the consultation pro-forma should be addressed to Dena Harris on 020 7380 4364, email address dena.harris@elexon.co.uk.

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P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Tim Roberts (Scottish Power)*
No. of Parties Represented	*6*
Parties Represented	*Please list all BSC Parties responding on behalf of (including the respondent company if relevant).* *Scottish Power UK plc; ScottishPower Energy Management Ltd; Scottish Power Generation Ltd; ScottishPower Energy Retail Ltd; SP transmission Ltd; SP Manweb PLC.*
No. of Non Parties Represented	*0*
Non Parties represented	*Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	*Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Qualified Yes	The current Supplier Charges are not proving to be effective as a corrective technique as performance is not improving in many areas. Mod 157 better facilitates this by simplifying the number of Charges to be applied and by meeting the following BSC Objectives: Namely it meets BSC Objective C – promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity. And BSC Objective D – promoting efficiency in the implementation and administration of the balancing and settlement arrangements. The qualification is due to the need for further assessment of the impact of redistribution of funds, see comments under section 4a.
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	Yes	The approach taken seems sensible in that it takes into account the variances between estimated and actual data between SF and DF.
2b	Do you consider that the cost of uncertainty as put	Yes/No	

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Q	Question	Response	Rationale
	forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?		
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	Yes	It is clear that there are costs associated with a Suppliers poor performance in particular those associated with administering the Performance Assurance framework (PAF), which as a result all Suppliers have to meet. Consequently those Suppliers who perform well are being subject to a genuine pre estimate of loss.
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	Yes	It is difficult to assess this figure, and perhaps consideration should be given to consulting PAF as to what it deems reasonable. Having said that 15% does appear to be a 'reasonable' figure as clearly managing Suppliers poor performance will incur additional PAF costs.
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	Yes	The proposed methodology is a suitable means of incentivising Suppliers to install a HH meter at a 100KW site, thereby avoiding a site being traded on an inappropriate profile.
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	Yes	Agree with the method proposed, but would emphasis that failure to produce these reports under these serials cannot be considered as a pre estimate of loss. However, there does need to be an incentive on Suppliers to produce these reports accurately and on time, and as the suggested charges to be applied seem reasonable, this seems preferable than the alternative, which is to escalate parties to PAB.
3.	*The questions below all refer to caps*		
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	Yes	Removal of the cap could lead to limitless liabilities and therefore could exceed a genuine pre estimate of loss. Clearly if the cap was removed we risk straying into the areas of 'penalties'. One concern that remains is why are OFGEM so clearly opposed to the retention of the Cap ?
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group	Yes	This figure seems reasonable when taking into account OFGEM concerns about applying a cap, in that 1% is higher than the current cap, and

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Q	Question	Response	Rationale
	i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.		therefore it would be applied less often, whilst at the same time preventing the limitless liability which is a major concern of ours. The application of a credit assessment price seems reasonable in that it represents the average cost of energy as it is derived from imbalance and market prices.
4.	*The questions below all refer to redistribution*		
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	No	Whilst the concept of redistributing funds to only those Suppliers who are on or above the average target would appear to act as a good incentive to drive up performance. It is clear that this could clearly lead to anomalies between large and small Suppliers. In particular on those Suppliers which were formally the host PES in a GSP Group, as it these Suppliers which in essence will set the target average, thereby potentially skewing the results for the other Suppliers within a GSP Group. Clearly, if the largest Supplier performs badly then smaller suppliers could benefit from a windfall, whilst not incentivising these suppliers to improve performance. As a result, it is clear further work needs to be done by VASMG in this area before we can agree to a proposed method for redistribution.
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	Yes	There doesn't seem to be any real argument to change this split, particularly as the 10% split is to compensate the increase in central costs which is split across all Trading Parties not just Suppliers.
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	Yes	Clearly there are already suitable force majeure provisions in Section S of the BSC.
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.	Yes	Given the ineffectiveness of the existing Supplier Charges it would appear sensible to periodically review any adopted under P157 together with the calculation of the genuine pre estimate of loss. As the Settlements process takes 14 months from SF to RF, clearly it will take time to assess the effectiveness of the new SC's. So a review say every 2 years would appear sensible.
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools	Yes	In particular this should be used to address any issues highlighted by the BSC Auditor.

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Q	Question	Response	Rationale
	available to the PAB to encourage good performance? See Section 2.2 Please state rationale.		This approach is low cost and can only increase the focus on the need for Suppliers to address performance issues. However, Parties must clearly be made aware of standards they have to achieve before any figures are published.
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	Yes	As this is set in the future, this gives all parties an opportunity to address issues before implementation. The added benefits are that it allows pre P99 rules to be fully run off before P157 is introduced, which avoids any confusion and is a cleaner solution as all data used will be post P99 data.
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.5 Please state rationale.	No	We do not believe that they provide better mechanisms for incentivising better performance.
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	Financial sanctions via Supplier Charges could be abandoned altogether, and replaced with stricter escalation procedures against persistent offenders from PAB to Panel. Although, consideration would need to be given to ensure such a process was not draconian, and was more reflective of the impact of a parties poor performance on other parties. In addition consideration should be given to reviewing some of the targets e.g. 97% of actual NHH data at RF, as clearly larger parties are struggling to meet this target.
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	

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Please send your responses by **17:00 on Friday 21 May 2004** to modification.consultations@elexon.co.uk and please entitle your email 'P157 **Assessment Consultation**'. Please note that any responses received after the deadline may not receive due consideration by the Modification Group.

Any queries on the content of the consultation pro-forma should be addressed to Dena Harris on 020 7380 4364, email address dena.harris@elexon.co.uk.

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P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Sebastian Eyre*
Non Parties represented	*energywatch*
Role of Respondent	*Gas and electricity consumer watchdog*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes (but note that the proposed modification has not yet been finalised)	We consider the existing Supplier Charges (SC) regime to be ineffective primarily due to: • immaterial/insignificant net charges being levied on Suppliers failing to achieve the agreed performance standards; • over-complexity leading to poor understanding; and • a lack of transparency of Suppliers' performance. We consider the proposed modification would better facilitate the applicable BSC objectives, in particular objectives (c) and (d), against the current baseline. *Promoting effective competition in generation and supply* We agree with the initial view of the modification group that the proposed modification should improve performance and hence data quality. This should therefore reduce uncertainty within the market and less time and money should be spent on improving poor performance and consequently reduce costs. *Promoting efficiency in the implementation and administration of the BSC* We agree with the initial view of the modification group that the efficiency of the BSCCo should increase as less time should be required to be spent on improving poor performance and dealing with data quality issues.

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Q	Question	Response	Rationale
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	Yes	We agree that this is a key element of a genuine pre-estimate of loss calculation and agree with the proposed methodology.
2b	Do you consider that the cost of uncertainty as put forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?	Yes / No	We note that the group considers that the cost of uncertainty is likely to be minimal and were not certain that it should be included in the genuine pre-estimate of loss calculation. The group did however agree that price contains some acknowledgement of the quality of consumption data of customers. We consider that the cost of uncertainty should be included (even if it is found to be minimal) where there is a suitable method of calculating it. We would be interested to see whether any alternative methods are identified as part of this consultation.
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	Yes	We agree with the group that there are incremental costs caused by Supplier poor performance and that these should be included in a genuine pre-estimate of loss calculation.
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	Yes / No	We are unclear on the basis of the 15% and consequently find it difficult to comment on whether this is a reasonable estimate.
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	Yes	We agree with the proposed methodology.
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	Yes	We agree with the proposed methodology and note the view that SP01 and 02 charging seems to have worked in the past.
3.	*The questions below all refer to caps*		

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Q	Question	Response	Rationale
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	Yes / No	In response to the definition consultation on P157 we supported the removal of caps so that suppliers are exposed to the full effect of the SC. We note that Ofgem has expressed strong views on caps. In its decision letter on P115 Ofgem notes 'the impact of caps in diminishing both the incentives and the status of supplier charges as a genuine pre-estimate of loss'. It also goes on to decision letter state that a 'level of error that would result in a Supplier exceeding its cap will not be reflected fully in the Supplier Charges, although other participants will have incurred a financial loss'. The group supports retention of a cap reasoning that it is unsuitable for commercial contracts to have limitless liabilities and the lack of certainty in the effects of supplier charges. In considering whether caps should be retained we believe that the group should consider whether the removal of a cap would have an adverse effect on competition, in particular whether the removal of caps would increase barriers to entry and consequently deter new entrants. If it can be established that the removal of caps would not have an adverse impact on competition then we would support removal of caps. We note that Ofgem, within its RIA, will need to consider the impact of P157 on small businesses. We suggest that the group considers how a revised cap or the removal of a cap would impact different parties and in particular what impact it would have on smaller businesses.
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.	Yes / No	If caps are to be applied, we believe that the proposed methodology is an improvement on the existing method of determining the cap. We note that there was some concern amongst the group as to whether the percentage of supplier take was high enough. The revised limit is around three times higher than the current cap and it would appear from the model supplied that the likelihood of a cap being breached is much reduced. Given the concerns that Ofgem has raised previously concerning the retention of caps, we would suggest that the group consider the merits of applying a higher percentage of supplier take.
4.	*The questions below all refer to redistribution*		

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Q	Question	Response	Rationale
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	Yes	We consider net redistribution to those performing over the average of the GSP Group based on market share to be an improvement on the current baseline. It should encourage parties to perform above the average and hence increase the average.
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	Yes	We do not consider there to be sufficient justification for adjusting the 90:10 rule at present.
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	Yes	We note that the Authority's decision on P115 states that 'the effectiveness of the incentives to try to resolve the underlying issues that cause underperformance would be eroded if a process was in pace to disapply Supplier Charges'. We do not consider that further force majeure provisions are required. It may be appropriate to review the force majeure provisions if there is any evidence to suggest that they are being subject to abuse.
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.	Yes	It does seem appropriate to periodically review SC and the genuine pre-estimate of loss but this should be balanced against providing Suppliers a degree of certainty over what charges will be applied. It may be appropriate to undertake a review every 2-3 years unless an exceptional event suggests that an earlier review would be appropriate.
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools available to the PAB to encourage good performance? See Section 2.2 Please state rationale.	Yes	We consider that named peer group comparison is an additional corrective technique that should be available to the PAB and should be used to support other financially based incentives. We believe that robust processes can be put in place to ensure that the information presented in the peer group comparison tables is accurate. We agree that the PAB should be given flexibility to decide what information should be presented. We also consider that the information may be useful to Ofgem as part of its market monitoring work and potentially in its compliance and enforcement work.

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Q	Question	Response	Rationale
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	Yes	We believe that P157 should be implemented as soon as possible but recognise the difficulties the group has identified concerning alternative implementation dates. We recognise that retrospection should generally be avoided but consider it to be justified in this instance. The preferred implementation date is over a year away so suppliers will have fair warning of rules in advance of implementation.
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.5 Please state rationale.	No	We consider that effective financial incentives will be an important corrective technique within the performance assurance framework. We support the introduction of named peer group comparison.
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	We understand that SSE has been undertaking some work on an alternative redistribution model. We believe that due consideration should be given to SSE's bond rebate model.
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	Yes / No	The group may wish to consider whether it would be useful to seek a provisional view from the Authority on particular aspects of the modification (for example how retention or removal of caps better facilitates applicable objective (c)).

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Any queries on the content of the consultation pro-forma should be addressed to Dena Harris on 020 7380 4364, email address dena.harris@elexon.co.uk.

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P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	Afroze Miah
No. of Parties Represented	15
Parties Represented	Powergen UK plc, Powergen Retail Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy Limited, Enizade Limited
Role of Respondent	Supplier/Generator

Q	Question	Response Error! Bookmark not defined.	Rationale

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Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	**A qualified, No**	We do not yet believe this modification better facilitates Applicable BSC Objectives (c) and (d). The solutions proposed are not particularly clear or fair. Some of the supplier charges proposed are not a genuine pre-estimate of loss. The redistribution method is flawed. There is a clear link between the genuine pre-estimate of loss calculation and re-distribution, a link which is currently not met by this modification. If we retain the existing re-distribution method and preclude any consequential costs from the supplier charges (i.e. make them genuinely liquidated damages) and are able to more accurately cost uncertainty, then these Objectives should be met. Additionally, there has been very little debate on why we need to have P157 now rather than wait for the existing supplier charges regime to take effect. We are only now receiving invoices for the pre-P99 regime and therefore it is too early to judge what impact these charges will have on suppliers' behaviour. In addition, P99 has only just been implemented so the industry are not yet able to judge what impact this will have on supplier performance. The consequence of this is that we do not have a **standard** against which to judge P157, and therefore cannot reasonably judge whether P157 better facilitates the relevant Applicable BSC Objectives.
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		

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Q	Question	Response Error! Bookmark not defined.	Rationale
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	**No**	Although we realise it is difficult to estimate the genuine pre-estimate of loss to parties we still question how these figures have been derived. For SPO8a, we are very concerned that the value of the volume of energy assumed to be uncertain (£0.11MWh) is half the incremental central costs (£0.21MWh). It cannot be the case that the cost of administration is double the cost of the value of the incorrectly settled energy. We also question the make up of these central costs, and believe that the OSM element (£0.17MWh) should not be included – this cannot be considered as an additional cost. Please see our further comments in 2c. For SP08b/SP08c, the value of the volume of energy assumed to be uncertain (£4.43MWh) seems very high. It would appear unlikely that the volume change/% change in estimates between SF and DF, for HH metered sites, would be as great as 119%. We believe that more detailed analysis should be carried out. Additionally, the value of uncertainty cannot possibly be the same figure for both R1 and RF. There is a difference in magnitude of the impact to settlements and on other suppliers of the accuracy of meter reads at R1 and RF that is not reflected in this figure. Liability in respect of settled energy is not clear until RF – at R1 it is purely a cash flow effect. Therefore, serial SP08b should be measured at RF, or its calculation should be based on the negative effect on cash flow.
2b	Do you consider that the cost of uncertainty as put forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?	**A qualified, Yes**	This is a very difficult area. We are unsure which option makes more sense although we do have some sympathy with the thought process used for Option B. However, we are struggling to understand whether Option B is linear or whether we can get a value for z. All we can say, at this stage, is that any calculation of the cost of uncertainty must reflect a genuine pre-estimate of loss, must be truly liquidated damages (LDs) and must not result in penal charges.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	**No**	The inclusion of central incremental costs is only right if they are caused as a direct result of supplier underperformance. On this basis, we don't believe that the cost attributed to the OSM (£0.17MWh) should be included – managing a supplier's performance, and working to improve it, are already part of the OSM's responsibility, so we cannot see how an additional cost is incurred. The inclusion of additional costs incurred, perhaps due to special PAB meetings to discuss performance with a supplier, could qualify, but in essence we expect that all of these costs would be covered within the annual Elexon budget and so again should not be included. Our legal opinion supports this view on the basis that central incremental costs should not be included in the genuine pre-estimate of loss calculation, as they can in no way be credited as part of a supplier's loss, and are purely consequential costs.
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	**No**	The value of 15% has not been derived in any rational way. This was a figure that was plucked out from the air and received a somewhat woolly consensus at the VASMG. Please also see our comments on 2c.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	**No**	This is another very difficult area. The theory behind your calculation seems to make sense i.e. comparing similar sized customers with or without HH meters / profiles, but we have the following concerns about the methodology: • the imbalance differential will change dependent on what period is used to calculate SSP and SBP • this methodology would come unstuck for NHH sites with profiles where their consumption is away from the norm, for example, due to seasonal factors or, say, bakeries where the load differential is significantly different during the night and day These two issues would significantly compromise a genuine pre-estimate of loss for SP04.
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	**No**	Although the existing charge seems to have incentivised suppliers to send in their reports promptly we do not believe such an administration charge is a genuine pre-estimate of loss. It falls within the same consequential losses argument as stated under 2c.
3.	*The questions below all refer to caps*		
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	**A qualified, No**	Caps may not be required if the final set of supplier charges and the re-distribution method are consistent with a genuine pre-estimate of loss, reflect what liquidated damages are all about and are not at all penal. Therefore retaining the existing re-distribution method is important. If the new supplier charges also reflect these criteria then the cap should be discarded. If, however, there are changes to either the charges or redistribution method that don't support these principles, we would prefer a cap to be retained.

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Q	Question	Response Error! Bookmark not defined.	Rationale
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.	**Yes**	If a cap is retained. However, see our comments on 3a. This appears to be a reasonable approach and is reflective of a supplier's dominance in any GSP Group.
4.	*The questions below all refer to redistribution*		
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	**No**	We disagree with the proposed redistribution methodology. Redistribution forms a key part of the Supplier Charges regime, and implementing a method that means some suppliers will not receive damages due to them is fundamentally wrong. Any supplier that is underperforming is obviously damaging other parties, but it is damaging itself within the calculation of GSPGCF. This supplier is also being affected by the underperformance of other suppliers, and should be compensated for this regardless of its own performance. The redistribution method therefore should ensure that all suppliers are compensated correctly on the basis of the genuine pre-estimate of loss incurred. The proposed method is also flawed as it rewards suppliers who are still performing below the target level of performance (currently 97%).
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	**No**	It is unclear why this rule is in place. The Group were unable to clearly justify its existence, and unless this changes we should remove this element.
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	**Yes**	We believe the existing force majeure clauses within the BSC adequately cover events that could impact on the performance of a supplier.

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Q	Question	Response Error! Bookmark not defined.	Rationale
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.	**Yes**	Reviews should take place as regularly as required, probably annually, to ensure accuracy and currency and also to avoid complacency amongst participants, if the P157 modification review is anything to go by. This modification has highlighted crucial issues surrounding performance and supplier charges. Supplier Charges should be reviewed when market forces dictate and on the basis of what the customer requires. If performance is not being readily achieved it should be reviewed regardless of any timescales. This right to review should be the responsibility of the PAB and / or BSC Panel. It does not seem right that the applicable charges are automatically increased each year, in line with RPI, when the loss is based on costs which are unrelated to RPI. Any charge that is deemed to be a 'genuine pre-estimate of loss' should be calculated as such. Other central costs, if included, should also be reviewed annually, particularly as Elexon have budgeted for considerable cost savings in forthcoming years.

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Q	Question	Response Error! Bookmark not defined.	Rationale
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools available to the PAB to encourage good performance? See Section 2.2 Please state rationale.	**No**	Whilst we have no particular objection to this method in itself, we question the value of it and very much doubt that it will have a marked effect on supplier performance. Introducing this will increase Elexon's administrative burden and inevitably costs, but we don't believe that it will deliver any justifiable benefit. We feel that the PAB escalation route is, and always will be, a stronger incentive to suppliers to improve their performance. There are also issues with regards to commercial confidentiality and legal questions over the right to data and use of information. It is unlikely to take account of the fact that a supplier may have 10 sites or 1,000,000 sites, with the result that the headline figures are skewed in some way. The real issue we are trying to manage here is the impact in settlements and the consequential effect on other suppliers, but peer group comparison will not provide any additional insight into these areas. Should this proposal be approved, we believe that publication of peer group comparison information should, as a principle, only be used where it is clear that it will be more effective than other methods, and must recognise any commercial confidentiality. Careful consideration must be given to how and what is published and what is reported must be accurate beyond doubt. There must also be a route of appeal for suppliers to question the validity of their being named and for what.
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	**No**	Whilst we can see the benefits associated with the approach chosen by the Group, we believe that if the result of this modification is a more accurate, more reflective, regime of supplier charges, it should be implemented at the earliest practical opportunity. If a decision is reached quickly, November 2004 would seem to be the most practical option.

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Q	Question	Response Error! Bookmark not defined.	Rationale
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.5 Please state rationale.	**Yes**	We have stated above that we are not convinced that peer group comparison has any value, so by definition we would support the first alternative – as long as all other elements concur with our views expressed in this response. As regards the second alternative, we believe that accurate charges, reflective of the genuine pre-estimate of loss incurred, is what is important. However, we would not be totally against the idea of setting the charges to zero, and for the industry to use other methods to encourage performance improvements. We note that there are no supplier charges imposed in Scotland and we understand the market's average performance level there is similar to E&W. This seems to indicate that supplier charges do not necessarily have a marked influence on a supplier's level of performance.
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	**No**	

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Q	Question	Response Error! Bookmark not defined.	Rationale
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	**Yes**	It is difficult to estimate true loss to parties and therefore any solution can only be seen as, at best, a "gesture of goodwill" rather than actual loss. The genuine pre-estimate of loss is a difficult calculation to make but it must be made to ensure fairness and legality. It should also be borne in mind that any true loss would also include impact of poor performance on areas such as cash flow, etc. which would be difficult to calculate as part of a genuine pre-estimate of loss. It is also a concern that the current supplier charges set up has not been allowed time to work – this proposal is seeking to change a regime that is only just starting to have a real effect with the recent issue of the first few monthly invoices. We have not therefore seen what effect these invoices are having, or will have, on supplier's behaviour. Changes under P99 have only just been implemented and again we do not know how successful or otherwise these will be. However, if the effect of these changes is to give a better pre-estimate of loss, then they should be implemented at the earliest practical opportunity

Parties are encouraged to provide financial information with regards to either the costs or benefits of the Modification Proposal to support the Assessment Procedure. Where requested this information can be treated as confidential, although all information will be provided to the Authority.

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P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Alison Hughes*
No. of Parties Represented	*1*
Parties Represented	*BizzEnergy*
No. of Non Parties Represented	*0*
Non Parties represented	*Please list all non Parties responding on behalf of (including the respondent company if relevant).*
Role of Respondent	*Supplier*

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	Support the need to review the current complex arrangements and the principles of P157/
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	Yes	Seems logical
2b	Do you consider that the cost of uncertainty as put forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?	No	Believe minimal impact

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Q	Question	Response Error! Bookmark not defined.	Rationale
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	Yes	
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	Yes	
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	Yes	
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	Yes	
3.	*The questions below all refer to caps*		
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	Yes	Uncapped liabilities would act as barrier to New Entrants and therefore restrict competition. Backing off liability through renegotiation of the Agent contracts may prove a struggle and would certainly result in higher Agent fees for everyone, which would ultimately be passed on to the Customer.
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.	Yes	
4.	*The questions below all refer to redistribution*		

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Q	Question	Response Error! Bookmark not defined.	Rationale
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	No	Collecting on one basis and redistributing on another may cause anomalies in a number of instances and may provide an opportunity for gaming. For example, a company operating under more than one supplier id could transfer "problem" MPANs from one id to the other in order to recover a proportion of the overall supplier charges incurred and thus ensure the funds back are maximised to the company as a whole. This could be significant if other suppliers are below the target 97% and there is a large pot of supplier charges.
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	Yes	
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	Yes	
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.	Yes	Some form of review may be useful as costs may change. But a modification could be raised if necessary rather than automatic review.
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools available to the PAB to encourage good performance? See Section 2.2 Please state rationale.	No	I would be cautious in introducing peer comparison at this stage when we haven't seen the full effect of the recent PAB escalations and the agent market is not fully developed. Agent performance (in particular for small suppliers) can be difficult to influence. With limited competition, suppliers cannot simply switch agents if the service they provide causes poor performance. It has been suggested that where there is competition, Agents will serve larger clients better/faster for fear of losing the account therefore smaller suppliers will always be at a disadvantage. Smaller independent suppliers cannot afford to set up their own DC/DA business if one or more GSP Groups prove troublesome.

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Q	Question	Response Error! Bookmark not defined.	Rationale
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	Yes	Seems sensible to allow pre-P99 rules to be fully run off before P157 is introduced.
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.5 Please state rationale.	Yes	See point 7 regarding Peer Comparisons
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	Further work on re-distribution may be required to avoid anomalies and possible gaming. Consideration should be given for Agents to be licensed and supplier charges passed directly to them if identified as the cause. This would directly encourage agents to improve performance/service levels to all suppliers.
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	As referred to in the points above, believe there is insufficient competition in Agent Market for suppliers to have a choice. Consideration ought to be given as to how to encourage competition & improve service levels in the agent market as this is at the heart of the supplier hub concept. Without this supplier hub management may fail.

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P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Garth Graham*
No. of Parties Represented	*Five*
Parties Represented	Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd., Medway Power Ltd. and SSE Energy Supply Ltd.
No. of Non Parties Represented	
Non Parties represented	
Role of Respondent	

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	No	Whilst the re-assessment of the calculation methods for "genuine pre-estimate of loss" are welcomed, the proposed re-distribution method will not give the clarity and incentives sought by the Proposer. See Q4a
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	Yes	However, the figure for HH seems intuitively high. This could be because the HH market is different from the NHH market in that the data collection cycle is not complete until R1 but NHH steadily improves on a continuous basis. The "Errors" are therefore likely to be greater. It might be better to measure the calculation between R1 and RF.
2b	Do you consider that the cost of uncertainty as put forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?	No	None of the methodologies are particularly clear or conclusive, and therefore would not be robust or unchallengeable. In such circumstances it is better to leave it out.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	Yes	It is self evident that more effort will be expended if performance levels are generally below yardstick, and that even if everyone met there targets there would be a basic fixed effort required.
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	Yes	No exact calculation can be made but 15% feels intuitively of the right magnitude. Only Elexon would be able to attempt such a calculation.
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	Yes	But we would like to see a more rigorous analysis done across a greater sample of customers across all the profiles 3-8.
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	Yes	This is essentially an administration cost, and the methodology appears to reflect the actual work content.
3.	*The questions below all refer to caps*		
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	Yes	Caps are a legitimate way to avoid an "unlimited liability" situation common in nearly all forms of commercial activity. Most parties would not accept a limitless liability situation. However, caps need to be set to cover exceptional circumstances, not to be invoked on a regular basis under normal operating conditions.
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.	Yes	The modelling indicates that at this level it meets the "exceptional circumstance" criterion for a cap. Linking it to an established BSC value is a useful mechanism and principle.
4.	*The questions below all refer to redistribution*		

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Q	Question	Response Error! Bookmark not defined.	Rationale
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	No	The "greater than average" method does not work with the current market shares because each GSPG is in effect a duopoly between the incumbent supplier and BGT. The data is therefore too skewed for average to be a meaningful measure or control variable. This will not produce the simplicity or the incentives outlined as an objective of the Modification Proposal. It does not meet the BSC objectives of promoting competition or increasing efficiency.
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	Yes	It is a way of recognising that all BSC Parties are impacted by the need to maintain a Performance and Assurance Framework. 10% feels intuitively the right magnitude.
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	Yes	It is good practice to have such a provision in a process of this type.
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.	Yes	Every 2 years seems to be the right balance between accuracy and effort. Presumably the cap will change as "CAP" changes.
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools available to the PAB to encourage good performance? See Section 2.2 Please state rationale.	Yes	It should be a tool available to PAB as part of the escalation process. There needs to be adequate warning, protection and appeal procedures for it to respected within the industry, and for it to be effective.
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	Yes, but	BUT… only if the current proposal is implemented. As we do not support the current proposal, for re-distribution, it may not be appropriate to implement an alternative in the same way.

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Q	Question	Response Error! Bookmark not defined.	Rationale
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.4 Please state rationale.	No	The abolition of Supplier Charges is not an acceptable or credible course of action at this time. Pgc does have merits, but only in a wider PAB process, see Q7.
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	We believe that the objectives of the Modification Proposal would be better achieved by means of a "Performance Bond" methodology as described in John Sykes' paper to the VASMG dated 19 May 2004.
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	

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P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	Tony Dicicco (EDF Energy)
No. of Parties Represented	9
Parties Represented	EDF Energy Networks (EPN) plc; EDF Energy Networks (LPN) plc EDF Energy Networks (SPN) plc; EDF Energy (Sutton Bridge Power) EDF Energy (Cottam Power) Ltd; EDF Energy (West Burton Power) Ltd; EDF Energy plc; London Energy plc; Seeboard Energy Limited
No. of Non Parties Represented	0
Non Parties represented	N/A
Role of Respondent	Supplier/Generator/ Trader

Q	Question	Response Error! Bookmark not defined.	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	The aim of the Modification is to establish a clear and readily understood set of rules for Supplier Charges, in order to provide a better focus towards improving the quality of data entering Settlement.
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	Yes	It is based on the sound assumption that the uncertainty in the Settlement bill is directly related to the change in the volume of estimated data vs. actual data.

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Q	Question	Response Error! Bookmark not defined.	Rationale
2b	Do you consider that the cost of uncertainty as put forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?	Yes	One of the risks that a Supplier has to manage is the uncertainty in the final volume of energy that it will purchase for its customers. This factor is not significant, but in principle, we believe it should be included. We would chose Method A.
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	Yes	It follows that central effort required in to the Performance Assurance Framework would increase as Supplier performance deteriorates.
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	Yes	We believe this is reasonable. There is no case to change away from the present assumption without an analysis of central costs by Elexon. We do not think this to be necessary.
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	Yes	It seems reasonable to charge for the uncertainty between HH meter reads and the approximated data produced from profiles for nHH meter reads. We believe that the price of installation of HH metering and communications should be excluded (as is proposed), since this is not a loss caused to counterparties as a consequence of under performance.
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	Yes	The method is clearer. We accept that an incentive on the timely delivery of reports is a good idea, but that it doesn't want to be the main focus of Supplier Charges, which should be accurate data.
3.	*The questions below all refer to caps*		
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	Yes	To impose an unlimited liability on Suppliers would be wholly unacceptable. There has only been minimal analysis and discussion of the likely behaviour of the proposed new Supplier Charges and their re-distribution. We see it as essential to maintain a safety cap to the level of charges.

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Q	Question	Response Error! Bookmark not defined.	Rationale
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.	No	The proposed cap is far too high. The fundamental rational behind Supplier Charges is that (for nHH) 97% of the meter reading should be actual by RF. The implication is that inaccuracies will arise due to the meters for which actual reads are not available. It is not credible that the error that can arise in this remaining volume will get anywhere near 1% of a Supplier's total volume in a GSP Group. We believe that the cap should be reflective of the likely outer bounds of the volume of inaccuracy. We therefore find the proposed cap unacceptably high and want to see it reduced by a factor of 10.
4.	*The questions below all refer to redistribution*		
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	Yes	In principle, we agree that the suggested method of redistribution should yield an improved incentive on Suppliers, when compared with the present method. However, we want to see the VASMG give more consideration to how it will work in practice. This is because in each of the GSP Groups, there will be a dominant supplier (the original PES) and the next largest Supplier is likely to be the same brand across all GSP Groups. The issue that arises is therefore to examine and be confident that the method for re-distribution of monies gives a fair balance of incentive vs reward between all suppliers. We believe this needs to be demonstrated if suppliers are to accept and engage willingly in the new rules for Supplier Charges.
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	Yes	As all Trading Parties are contributing to the central administration costs, part of which are the costs of Performance Assurance, it seems reasonable to take a nominal 10% out of the collected Supplier Charges to compensate all Trading Parties.
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	Yes	By its nature, each force majeure occasion would be an unpredictable event; therefore trying to specify anything would be difficult.

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Q	Question	Response Error! Bookmark not defined.	Rationale
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.	No	We do not think it necessary to prescribe for this, as it remains in the gift of any BSC Party to raise a Modification Proposal if it is concerned.
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools available to the PAB to encourage good performance? See Section 2.2 Please state rationale.	No	We do not favour peer group comparison reports in this context and feel strongly about this. The reason is primarily because one or two discrete performance measures would be put into the public domain with the potential for editorial comment to undermine the whole organisation. This would create new and unwelcome PR issues for a Supplier to deal with and therefore detract its focus from the issues of data quality that we would wish them to address.
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	Yes	This has the advantage that there are no problems deciding how to combine the new rules with the old, especially regarding caps and redistribution which are calculated on a Party's overall position for any given month.
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.5 Please state rationale.	Yes	We would be comfortable with the Alternative that looked like this Proposal, but with the peer group comparison component omitted.
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes	We believe that there may be further scope in the design of a method of re-distribution of Supplier Charges. This will be a sensitive issue between suppliers, and it will be important to secure the confidence of all suppliers that the method is fair.

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Q	Question	Response Error! Bookmark not defined.	Rationale
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	Yes	Our comment in 4a above applies.

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P157 ASSESSMENT PROCEDURE CONSULTATION QUESTIONS

BSC Parties ("Parties") and other interested parties are invited to respond to this consultation expressing their views or provide any further evidence on any of the matters contained within this document. In particular views are sought in respect of the following questions. Parties are invited to supply the rationale for their responses.

Respondent:	*Martin Mate*
No. of Parties Represented	*3*
Parties Represented	*British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd*
No. of Non Parties Represented	-
Non Parties represented	-
Role of Respondent	*Supplier/Generator/Trader/ Consolidator/ Exemptable Generator/Party Agent*

Q	Question	Response	Rationale
1.	Do you believe Proposed Modification P157 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	The current incentives on suppliers have failed to deliver the performance levels expected when the 1998 Supply arrangements were developed. The requirement for Post-Final Settlement Runs on a routine basis and potential Extra Settlement Determinations beyond that, supported by significant resource within Elexon to attempt to monitor and correct erroneous data, creates inconvenience, cost and uncertainty for other parties. The recent qualified audit also indicates that suppliers are not sufficiently incentivised to deliver expected data accuracy. These facts suggest that either the inaccuracies do not matter, or, as we believe, that individual suppliers are not currently facing the full costs of the inaccuracies. Although other means of tackling these problems may exist, simple changes to the Supplier Charges regime such as those proposed in this modification are a cost-effective way of incentivising improved supplier data processing.
2.	*The questions below all refer to the genuine pre-estimate of loss calculation*		

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Q	Question	Response	Rationale
2a	Do you agree with the calculation of the value of volume of energy that is assumed to be uncertain as put forward in Section 2.1.2.2?	No	Data changes between SF and DF give an indication of estimations and errors at SF. Note that the qualified audit suggests that even supplier data in DF (Post-Final) runs are not meeting expected accuracy levels. The impact of one suppliers' estimations and errors on the imbalance position of other suppliers depends on how well parties in general can predict other parties performance. Parties contracting to accurate final outcomes will only be subject to cashflow variations in the interim settlement runs. Although it is desirable to have accurate actual data at SF, and an orderly progression to accurate settlement at RF, inaccurate intermediate imbalance costs are not necessarily the cost suffered by other parties. More consideration needs to be given to this.
2b	Do you consider that the cost of uncertainty as put forward in Section 2.1.2.2 should be included in the genuine pre-estimate of loss calculation? If so, are any of the methods suggested (A, B, C) relevant or can you state an alternative?	Yes / No	
2c	Do you agree that central incremental costs should be included in the genuine pre-estimate of loss calculation as put forward in Section 2.1.2.2? Please state rationale.	Yes	It is clear that the pursuit of data accuracy from the SVA arrangements requires considerable resource from BSCCo and its agents. Other parties with good performance, and those not using the SVA arrangements at all, are contributing towards those costs. Furthermore, parties which do not directly use the SVA arrangements at all, but incur administrative costs of their own in handling the various settlement runs after initial settlement, are also contributing to the costs of the post-SF SVA arrangements required mainly to achieved expected performance.
2d	Is the value of 15% put forward by the VASMG as a reasonable estimate for the increment in central costs appropriate? See Section 2.1.2.2 Please state rationale.	No	It is not clear from the assessment report exactly which central costs have been identified as relating to the pursuit of SVA data accuracy. We would expect the costs to be considerably more than 15% of the Performance Assurance Framework (PAF) costs. If performance met original 1998 expectations, most of the PAF costs would be eliminated. In the absence of more information, we suggest 50% of PAF costs should be considered.

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Q	Question	Response	Rationale
2e	Do you agree with the method in which the genuine pre-estimate of loss for SP04 has been calculated? See Section 2.1.2.2 Please state rationale.	Yes / No	It seems rather harsh that a 99kW site/metering system can operate permanently with a NHH meter causing uncertainties with no charge, while a 101kW site with profiled values suffers charges. All NHH metering is estimated at a half-hour level! However, a site with HH metering has reduced uncertainty, and should expect to pay less towards the SVA arrangements, so the method suggested could be viewed as incentivising a supplier to help itself.
2f	Do you agree with the method in which the genuine pre-estimate of loss for SP01 and SP02 have been calculated? See Section 2.1.2.2. Please state rationale.	No	Reports are required by GSP Group, and central effort to obtain them will be focussed by GSP Group. We see no reason to move away from charging by GSP Group and day. The charge needs to be large enough to avoid the situation where a large supplier or a supplier with a large error avoids or delays other charges by failing to submit PARMS data.
3.	*The questions below all refer to caps*		
3a	Do you agree with the VASMG's decision to retain caps in Supplier Charges? See Section 2.1.3. Please state rationale.	Yes	Ideally there would be no caps, and the charges simply would reflect costs to other parties. However, on the basis that the real costs to other parties are very difficult to determine, and that the estimated costs may be determined pessimistically, we accept a cap on charges as a compromise.
3b	Do you agree with the new calculation that will be used to work out each Supplier's cap in the GSP Group i.e. 1% of Supplier Take in GSP Group * Credit Assessment Price? See Section 2.1.3. Please state rationale.	Yes	Noting the comment above, the value suggested represents a compromise, which should be subject to periodic review.
4.	*The questions below all refer to redistribution*		
4a	Do you agree with the suggested method of redistribution put forward by the VASMG? See Section 2.1.4. Please state rationale.	No	In principle, 'good' performers are those which are suffering 'damages' and should be recipients of a share of the amounts collected from 'poor' performers. However, we have some concerns that referencing 'good' and 'poor' performance to an average performance in the GSP Group could create artificial step differences in charge redistribution. We think the level of performance should be taken into consideration more precisely, for example in a combination of total GSP volume (or share) and performance relative to average.

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Q	Question	Response	Rationale
4b	Do you agree with VASMG decision to leave the 90/10 rule as it is currently? See Section 2.1.4. Please state rationale.	No	We suspect that the true full costs of the arrangements required to monitor, investigate and rectify SVA supplier performance deficiencies is not being fully reflected on the parties responsible. An increased share of the amounts collected should be apportioned to all Trading Parties to rectify this situation. In the absence of more information on costs, we suggest 25% should be allocated to all trading parties, as a compromise.
5.	Do you agree with the VASMG's decision to leave the current force majeure provisions in place? See Section 2.1.5.	Yes / No	
6.	Do you believe that Supplier Charges and the genuine pre-estimate of loss ought to be reviewed and if so how often? Please give rationale.	Yes / No	
7.	Do you agree with the VASMG's approach to peer group comparison – that it should be one of the tools available to the PAB to encourage good performance? See Section 2.2 Please state rationale.	Yes / No	We believe there should be full transparency of performance on a routine basis. This would permit objective comparison, and allow attention to be concentrated on those parties with problems. We believe anything short of this to be for the benefit of parties with poor performance.
8.	Do you agree with the preferred P157 Implementation Date of Calendar Day July 2005 that is supported by the VASMG even though this is retrospective in nature? See Section 2.3 Please give rationale. If you disagree please state preferred alternative and rationale.	Yes	We do not support retrospective modifications with material impact on parties, and believe the implementation date should be tied to the Ofgem decision date in order to avoid significant retrospection, bearing in mind that not all of the chargeable serials have significant lead times.
9.	Do you consider any of the alternatives suggested by the VASMG should be progressed? See Section 2.5 Please state rationale.	No	No. See comments elsewhere.

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Q	Question	Response	Rationale
10.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	Yes/No	As described above, we believe full transparency of performance should be a priority. This would permit parties to better gauge the extent to which they may be losing because of poor performance by other parties, and allow better analysis of other potential modifications. Other solutions to the overall problem of data timeliness and accuracy could be considered, but are outside the scope of this modification, and would undoubtedly be expensive.
11.	Does P157 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	Yes / No	We support measures to incentivise improved supplier performance, and believe the outline proposals can help this. However, other performance failings, particularly erroneous registrations and erroneous data such as those which caused the audit qualification and require considerable effort to rectify, will not be directly captured by the current Supplier Charges mechanism. We consider that either: • measures are required to improve data accuracy in these areas, or • the costs of failing to provide accurate data should be borne entirely by those causing them, and not shared between all parties. Hopefully, revised charges will increase incentives to deliver accurate and timely data under the chargeable supplier serials, and this will carry over into other areas of supplier data processing.

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