Responses from P157 Fourth Assessment Consultation

Consultation Issued 08 October 2004

Representations were received from the following parties

No	Company	File number	No BSC Parties Represented	No Non-Parties Represented
1.	British Gas Trading	P157_AR_001	3	0
2.	EDF Energy	P157_AR_002	9	0
3.	Scottish and Southern Energy	P157_AR_003	7	0
4.	British Energy	P157_AR_004	4	0
5.	E.ON Uk	P157_AR_005	15	0
6.	Scottish Power	P157_AR_006	6	0
7.	Energywatch	P157_AR_007	0	1
8.	RWE NPower	P157_AR_008	10	0

P157 FOURTH ASSESSMENT CONSULTATION QUESTIONS

BSC 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:	*Eddie Wall BSC Account Manager*
No. of BSC Parties Represented	*3*
BSC Parties Represented	*British Gas Trading and Electricity Direct Uk*
No. of Non BSC Parties Represented	
Non BSC Parties represented	
Role of Respondent	*Supplier*

Q	Question	Response
1.	Which of the solutions to deal with Suppliers operating in the Scottish GSP Groups under the P157 Alternative Modification do you prefer?	Option 4. Implement P157 Alternative in Nov 05 or Feb 06 as planned but only switch on the redistribution element 14 months after BETTA go-live. This option looks the most sensible and workable.
2.	Are there any further comments on P157 that you wish to make?	No

Please send your responses by **12:00 midday on Friday 8 October 2004** to Modification.consultations@elexon.co.uk and please entitle your email '**P157 Fourth 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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Respondent:	Jim Beynon for EDF Energy
No. of BSC Parties Represented	9
BSC 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 BSC Parties Represented	0
Non BSC Parties represented	N/A
Role of Respondent	Supplier/Generator/ Trader

Q	Question	Response
1.	Which of the solutions to deal with Suppliers operating in the Scottish GSP Groups under the P157 Alternative Modification do you prefer?	Ideally we would like to see equivalent RF data obtained from SESL i.e. Option 1. However, we appreciate the complexities and potential legal difficulties associated with this and if the effort the implement Option 1. is judged to be too great, then we would favour Option 2, i.e. delaying the implementation date to give a clean and even-handed start to the new methodology. Options 3 & 4. Are not favoured as they add complexity to an already complex arrangement.
2.	Are there any further comments on P157 that you wish to make?	No thankyou

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Respondent:	*John Sykes, Scottish and Southern Energy plc*
No. of BSC Parties Represented	
BSC Parties Represented	*Scottish and Southern Energy, Southern Electric Power Distribution plc, Keadby Generation Ltd., Medway Power Ltd., SSE Energy Supply Ltd., SSE Generation Ltd., and Scottish Hydro-Electric Power Distribution Ltd.*
No. of Non BSC Parties Represented	7
Non BSC Parties represented	None
Role of Respondent	*Supplier/ Generator/ Distributor / Party Agent*

Q	Question	Response
1.	Which of the solutions to deal with Suppliers operating in the Scottish GSP Groups under the P157 Alternative Modification do you prefer?	Whatever happens to P157, there will be no SP08a supplier charges to re-distribute in the scottish GSPGs until RF for 1 April 2005 is reached. Therefore, even a "no P157" or "P157 Proposed" will have this key element missing from the calculations. There is an element of retrospection in the calendar day implementation anyway. Whilst this is tolerable in England & Wales where Supplier Charges are levied at the moment, it is not acceptable to use historic SAS data for a purpose which it did not have under the SAS. In any case, there is uncertainty about final reconciliation arrangements in Scotland, and it would certainly not be appropriate to use R3 figures. I do not believe there is an issue about the equivalence of the numbers from an arithmetic point of view or that the procurement of the figures is insurmountable. It is the vires of the numbers which is different. It would effectively construct liabilities from SAS data for use under BETTA. The simplest way to create the necessary transition and bring in the modification as soon as

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Q	Question	Response
		possible is to use the value of PT for SP for each supplier's SP08a performance (i.e. put everyone as performing at standard) for settlement days for which settlement data under BETTA is not available. This would then redistribute supplier charges in the scottish GPSGs at market share until data became available for RF under BETTA, and allow the modification to take effect as intended in the E&W GSPGs. It seems disingenuous for parties to claim that treating the two scottish GSPGs differently would be complex when in fact at the moment they are subject to a completely separate agreement i.e. the SAS ! In any case it should be regarded as a transition, not a permanent arrangement.
2.	Are there any further comments on P157 that you wish to make?	No.

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Respondent:	*Martin Mate*
No. of BSC Parties Represented	*4*
BSC Parties Represented	*British Energy Power & Energy Trading Ltd, British Energy Generation Ltd, Eggborough Power Ltd, British Energy Generation (UK) Ltd*
No. of Non BSC Parties Represented	*-*
Non BSC Parties represented	*-*
Role of Respondent	*Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent*

Q	Question	Response

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Q	Question	Response
1.	Which of the solutions to deal with Suppliers operating in the Scottish GSP Groups under the P157 Alternative Modification do you prefer?	The alternative proposal gives well performing NHH suppliers a larger slice of the charges paid by all suppliers and is an incentive scheme (at the expense of HH suppliers and poorly performing NHH suppliers) and not a loss/damages allocation method. 1. An incentive scheme only works if the parties affected by it are able to respond to the incentive. Since the alternative proposal uses historic data from more than 14 months earlier to set the incentive payments, implementation of this proposal should give at least 14 months notice to all affected parties, to allow processes to be put in place covering the whole settlement timetable, regardless of whether or not historic data is made available. 2. Delaying implementation to 14 months after BETTA Go-Live / Effective date would give sufficient time for parties in Scotland to respond to the incentive, provided the implementation date was known at least 14 months in advance. 3. Options to treat Supplier Charges and redistribution differently in Scottish GSP Groups have the potential to create discrimination, and should be avoided except where a clear justification exists. There is no justification for setting charges to zero for applicable settlement days from BETTA Go-Live, for which data to measure performance will be available. The absence of a historic supplier charges scheme in Scotland, and the absence of historic data for applicable days prior to BETTA Go-Live does provide justification for special treatment for those days. Redistributing post-Go-Live charges by post-Go-Live NHH share in Scottish GSP Groups would be no less valid than redistributing all (historic) charges by current shares as occurs at present. However, given the notice period that should be given anyway to all parties, the expense of this additional functionality may not be justified. 4. Phasing implementation so that parts of P157 are implemented earlier but the incentivised redistribution at least 14 months after BETTA Go-live is equitable in terms of incentives, but the expense of this additional functionality may not be justified, particularly given our view that at least 14 months notice should be given anyway. Without prejudice to our opinion on the proposed Alternative Modification, we prefer option 2, with a caveat that in any case the implementation should be at least 14 months after the decision date to allow processes to be put in place covering the whole settlement timetable.
2.	Are there any further comments on P157 that you wish to make?	We continue to object to the method of determination of Genuine Pre-Estimate of Loss for SP08, which considerably over-estimates the average losses associated with estimated half hourly data, and which does not allocate the full costs of the performance framework to those who cause it to be required.

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

Q	Question	Response
1.	Which of the solutions to deal with Suppliers operating in the Scottish GSP Groups under the P157 Alternative Modification do you prefer?	None of the solutions are ideal, which makes the Proposed Modification (which we support) all the more attractive. However, if the Proposed Modification is not approved, then the best solution to follow under the Alternative Modification is the **Phased Implementation** approach. This has the advantage of treating all suppliers equally, it will use the existing re-distribution methodology in the interim, and will give more time for suppliers to familiarise themselves with the implications of the Alternative Modification.
2.	Are there any further comments on P157 that you wish to make?	No.

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Respondent:	*Tim Roberts (Scottish Power)*
No. of Parties Represented	*6*
Parties Represented	*Scottish Power UK plc; Scottish Power Energy Management Ltd ; Scottish Power Generation Ltd; Scottish Power Energy Retail Ltd; SP Transmission Ltd; Manweb plc..*
Role of Respondent	*Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent*

Q	Question	Response
1.	Which of the solutions to deal with Suppliers operating in the Scottish GSP Groups under the P157 Alternative Modification do you prefer?	Of the 4 Options presented in section 2.2.9.1 of the 4th Assessment Report - Option 1 is not really viable due to the proposal for SAS Run-off to terminate at R3, so therefore the appropriate SAS RF data won't be available. Also, it does not seem appropriate to use SAS pre-BETTA performance data to redistribute GB BSC post-BETTA supplier charge income. Option 2 Delaying the Implementation date to take account of BETTA would see a delay in implementation until June 2006, clearly this time delay will impact the ability of this Mod to make a difference, after all the driver here is to improve data quality – an implementation date of June 2006 would send out all the wrong signals to the Industry. Option 3 Treat Scottish GSP Groups differently appears the most straightforward solution by redistributing the money on the current market share basis for those GSP Groups until RF runs kick in. However, I can envisage certain parties may claim that this would amount to discrimination (in favour of whom I'm not sure). So, I'd suggest that the solution that would be seen to be the fairest would be Option 4, whereby there is a phased implementation initially with the redistribution element taking effect later when RF runs commence for post-BETTA trading days.

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Q	Question	Response
2.	Are there any further comments on P157 that you wish to make?	Scottish Power remain convinced that the adoption of the Alternative Modification over both the existing arrangements / proposed modification offers a real incentive on parties to address the issue of data quality in Settlements

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

Q	Question	Response
1.	Which of the solutions to deal with Suppliers operating in the Scottish GSP Groups under the P157 Alternative Modification do you prefer?	We think it would be preferable if the relevant data could be made available in an efficient and cost effective manner. However, we recognise that a number of issues have been raised during the group's initial assessment of this option including the arrangements and governance framework for SAS Run off that have still to be agreed as part of the BETTA project. In light of these issues, we would suggest that phased implementation would be preferable to delaying the implementation date or treating the Scottish GSP groups differently.
2.	Are there any further comments on P157 that you wish to make?	No

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Respondent:	*Carl Wilkes*
No. of BSC Parties Represented	*Ten*
BSC Parties Represented	RWE Trading Gmbh, RWE Npower plc, Npower Co-gen Ltd, Npower 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 BSC Parties Represented	*Nil*
Role of Respondent	*Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent*

Q	Question	Response
1.	Which of the solutions to deal with Suppliers operating in the Scottish GSP Groups under the P157 Alternative Modification do you prefer?	If P157a is accepted, the preferred option is 'Obtain the RF data from SESL'.
2.	Are there any further comments on P157 that you wish to make?	No.

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