



FEBRUARY 2003

MODIFICATION REPORT
MODIFICATION PROPOSAL P106 –
Ammendment to the BSC to allow
multiple Supplier Ids

Prepared by ELEXON on behalf of the Balancing
and Settlement Code Panel

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I DOCUMENT CONTROL

a Authorities

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0.1	19/02/03	Change Delivery	Change Delivery	Initial Draft
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b Distribution

Name	Organisation
Each Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	energywatch
Core Industry Document Owners	Various

c References

Ref.	Document	Owner	Issue Date	Version
1.	Modification Proposal P106	BGT	25/10/02	1.0
2.	Modification P106 Initial Written Assessment	ELEXON	08/11/02	1.0
3.	P106 Requirements Specification	ELEXON	09/12/02	1.0
4.	Modification P106 Assessment Report	ELEXON	03/02/03	1.0

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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment Phase, and the resultant findings of this report, the BSC Panel recommends that:

The Proposed Modification P106 should be made;

The Implementation Date of;

- **24 June 2003 if a decision is received prior to 23 April 2003; or**
- **4 November 2003 if a decision is received on or after 23 April 2003 and prior to 2 September 2003.**

1.2 Background

Modification Proposal P106 'Amendment to the BSC to allow multiple Supplier Ids' (P106) proposes to amend the Balancing and Settlement Code ('the Code') to allow Parties to have more than one Supplier Id per Party. The rationale for raising P106, as identified in the Initial Assessment, was that the Code is not specific in this area, as it does not explicitly forbid multiple Supplier Ids, but could be interpreted as implying a single Supplier Id per Party.

A Supplier Id takes the form of a four-character identifier (e.g. 'SEEB' for Seeboard Energy Ltd)¹. This data item is used to identify a particular Supplier in the systems operated by Supplier Meter Registration Agents and other Supplier volume Allocation (SVA) participants. It should be noted that this Supplier Id is not the same as the Party Id used to identify Parties in the BSC Systems, as it is a level below Party Id. For example:

- British Gas Trading Limited has a single Party ('BRITGAS') which is used to identify that company in the BSC Systems. The Code does not allow a Party to have more than one Party Id², and P106 does not propose to change this.
- Certain Suppliers do use more than one Supplier Id. British Gas Trading Limited, for example, uses Supplier Ids 'BGAS' and 'ENRD'.

1.3 Rationale for Recommendations

The Balancing and Settlement Code Panel (the Panel) noted that current business practices require the provision for multiple Supplier Ids in the particular case of trade sales and mergers and to a lesser extent where additional Supplier Ids are required for a Suppliers own internal business use. Including this provision within the Code will allow more efficient implementation of the balancing and settlement arrangements, therefore better facilitating Applicable BSC Objective (d).

¹ Information in this modification report relating to the Party Ids and Supplier Ids of specific Parties is derived from the registration data published on the ELEXON Website (www.elexon.co.uk).

² Modification Proposal P57, raised by British Gas Trading Limited on 3 December 2001, proposed to relax this rule. However, Ofgem decided (on 12 June 2002) that this change should not be made.

The Panel noted that the provision of multiple Supplier Ids are the only way of implementing a trade sale or merger in a timely manner. Allowing this would therefore better facilitate the achievement of Applicable BSC Objective (c); i.e. to improve competition in the supply and generation of electricity. Conversely, the Panel considered prohibiting Parties from having multiple Supplier Ids would represent a barrier to competition in the supply and generation of electricity.

In the case where multiple Supplier Ids are required for a Suppliers own internal business use, the Panel noted that the costs associated with additional Supplier Ids are potentially more of an issue, as the number of additional Ids could be higher than those required for a trade sale or merger.

However, the Panel agreed that as possible enhancements to BSC Systems in support of multiple Supplier Ids are not initially required, the costs of implementing the solution for P106 are minimal. This therefore allows Parties some flexibility in the use of Supplier Ids, which would further promote competition, BSC Objective (c), and by making the process for introducing multiple Supplier Ids more robust at minimal cost would potentially improve efficiency, BSC Objective (d).

XX responses to the draft Modification Report consultation were received. XX responses (XX Balancing and Settlement Code Parties (BSC Parties) and XX non-BSC Parties) supported the Panel's recommendations and XX (XX Parties and XX non-BSC Parties) did not support the Panel's recommendations. [insert sentence to say if they raised any new issues]. A summary of the responses received is given in section 8.

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd, on behalf of the Panel, in accordance with the terms of the Code. The Code is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC Website, at www.elexon.co.uk

3 HISTORY OF PROPOSED MODIFICATION

P106 was raised by British Gas Trading on 25 October 2002, and the Initial Written Assessment was considered by the Panel at its meeting of 14 November 2002. The Panel agreed to submit P106 to a 3 month Assessment Procedure to be conducted by the Volume Allocation Standing Modification Group (VASMG).

During the Assessment of P106 the VASMG met three times, on 20 November 2002, 20 December 2002 and 29 January 2003 to assess P106 against the Applicable BSC Objectives identified, consider the issues, identify potential solutions, consider consultation responses and impact assessment and to agree the recommendations to be made to the Panel in respect of P106.

To assist in the assessment of P106:

- A requirement specification detailing the solution proposed by the VASMG was produced on 9 December 2002; and

- A request for a high level impact assessment, based on the requirements specification was issued to BSC Agents and Parties on 9 December 2002, with responses received by 16 December 2002;
- Based on the results of the impact assessment and the discussions of the VASMG, a consultation was issued on 14 January 2003, with responses received by 24 January 2003; and
- An assessment report was presented to the Panel on 13 February 2003.

The Assessment Report for P106 was submitted for consideration by the Panel at their meeting of 13 February 2003. The Panel agreed with the recommendations of the VASMG and submitted P106 to the Report Phase with a draft report to be considered at their meeting on 13 March 2003. The Panel recommended that the Proposed Modification should be made with an Implementation Date of:

- 24 June 2003 if a decision is received by the Authority prior to 23 April 2003; or
- 4 November 2003 if a decision is received by the Authority on or after 23 April 2003 and prior to 2 September 2003.

On the basis of the Assessment Report, the Panel supported the views of the VASMG, and agreed that P106 better facilitates achievement of the Applicable BSC Objectives, set out in paragraph 3 of Condition C3 of the Transmission Licence, as follows:

- (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
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

[The draft Modification Report was presented to the Panel meeting of 13 March 2003 and at this meeting the Panel agreed that the recommendation to the Authority would be that the Modification should be made.]

4 DESCRIPTION OF PROPOSED MODIFICATION

P106 seeks to address perceived defects related to the Code in relation to the use of multiple Supplier Ids. It is proposed that the use of multiple Supplier Ids will enable Suppliers to deal with mergers and take-overs in a more efficient manner than the current Change of Supplier processes. The proposal also seeks to provide a mechanism for Suppliers to manage their internal business requirements by the use of multiple Supplier Ids.

[The Panel concluded that the Code should be amended to allow Parties to have more than a single Supplier Id. Furthermore, the Panel recommends that the Code should provide for an unlimited number of Supplier Ids in the case of a trade sales or mergers but to limit Supplier Ids to a maximum of 2 where they are requested for Suppliers own internal business use.]

The estimated ELEXON effort for the Proposed Modification are 35 man-days. No further implementation costs have been identified.

5 RATIONALE FOR PANEL RECOMMENDATIONS

The Panel agreed with the VASMG recommendations presented in the assessment report that P106 would better facilitate the Applicable BSC Objectives (c) and (d). The Panel noted the VASMG having reached a conclusion on each of the assessment issues considered how the conclusions on the impacts

and incentives of P106 would lead to the Proposed Modification better facilitating the achievement of each of the Applicable BSC Objectives, and the extent to which this is the case.

The Panel noted that current business practices require provision for multiple Supplier Ids in the particular case of trade sales and mergers and to a lesser extent for Suppliers own internal business use.

The Panel agreed that clarification of the rules relating to multiple Supplier Ids would better facilitate the achievement of Applicable BSC Objective 3(d), in that the current uncertainty over what is supported by the Code did not lead to an efficient process for handling requests for multiple Supplier Ids.

There was unanimous agreement within the Panel that multiple Supplier Ids are the only way of implementing a trade sale or merger in a timely manner. Allowing this was therefore likely to better facilitate the achievement of BSC Objective (c); i.e. to improve competition in the supply and generation of electricity. Conversely, the VASMG considered prohibiting Parties from having multiple Supplier Ids would prevent efficient trade sales or mergers, representing a barrier to competition in the supply and generation of electricity.

In the case of requests for additional Supplier Ids for Suppliers own internal business use, the costs associated with additional Supplier Ids were considered to be potentially more of an issue, as the number of additional Ids could be higher than those for trade sales or mergers. However, the VASMG agreed not to include the central system enhancements and the costs therefore, of implementing the solution for P106 are minimal administrative costs. Additional Supplier Ids for Suppliers own internal business use would therefore allow Parties some flexibility in the use of Supplier Ids which may promote competition, BSC Objective 3(c), and by making the process for introducing multiple Supplier Ids more robust at minimal cost would potentially improve efficiency, BSC Objective 3(d).

6 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

P106 requires changes to Sections D, J, K, S and X of the Code. If the baseline of the Code changes prior to implementation of P106, or if other Modification Proposals are to be implemented at the same time as P106, the legal text may need to be amended to realign to the new baseline.

The changes are given in Annex 1, but are summarised as follows:

Section D (version 4.0) Change to clarify that Base BM Unit Charge applies to each set of Base BM Units (i.e. each Supplier Id).

Section J (version 4.0) Change to clarify that each Supplier Id must go through an entry process.

Section K (version 8.0) Changes to clarify process for termination of a Supplier Id, and rules for Shared SVA Metering Arrangements, in cases where a Supplier has multiple Supplier Ids.

Section S (version 2.0) Changes to Section S deal with multiple Supplier Ids, transfer of Supplier Ids and the relevant data relating to BM Units under transfer.

Section X (version 1.1) New definitions are required relating to Supplier Ids.

7 ASSESSMENT

This section of the report summarises the assessment carried out by the VASMG during the Assessment Procedure. Full details are contained in the P106 Assessment Report (Reference 4), which may be found on the BSC Website at www.elexon.co.uk.

The VASMG identified issues that it considered to be key in the assessment of P106. The following reflects the considerations and conclusions of the VASMG in respect of each issue.

It is currently unclear within the Code, whether Parties should be allowed to register multiple Supplier Ids. P106 proposes that it would be beneficial to clarify the Code in order to resolve this uncertainty. During the assessment of P106, the VASMG identified key issues which were considered. These are summarised as follows;

7.1 Limit to Multiple Supplier Ids

The VASMG identified that BSC Systems impose a limit on the availability of additional Supplier Ids. The most restricting factor is that of the Supplier Volume Allocation Agent (SVAA) system which has a design limit of 200 Supplier Ids.

Currently, there are approximately 40 Parties with 50 Supplier Ids. It is anticipated that this number will naturally increase over time with, new entrants to around 50 Parties with 60 Supplier Ids. As BSC Systems are restricted to 200 Supplier Ids this gives a spare capacity of 140 Supplier Ids. This therefore allows each of the 50 Suppliers to have an additional 2 more Supplier Ids. This leaves 40 Suppliers Ids (13 Suppliers) in reserve for further new entrants. The VASMG agreed that this approach would not allow one Party to have a number of Supplier Ids that could not be given to another. The VASMG therefore concluded that Parties should be limited to a maximum of 2 additional Supplier Ids.

7.2 Changes to BSC Agent systems

P106 does not require any changes to existing systems or processes, and could be implemented without change, other than to the text within the Code and Code Subsidiary Documents to cover the processes used to date. However, the VASMG considered the potential enhancements to the processes associated with multiple Supplier Ids, which may be appropriate to implement in conjunction with P106 to make the processes more robust if multiple Supplier Ids are to be allowed. These are described below:

- Enhancements to the registration process in support of trade sales and mergers.

As a result of the consultation it was agreed that the existing Change of BM Unit Ownership (CoBo) process satisfy this requirement and therefore no enhancements are required.

- Enhancements to the registration process in support of requests for additional Supplier Ids for Suppliers own internal business use.

It was identified that there are possible enhancements to support this to make the processes used more robust. This requirement would require changes to the CRA systems and processes, an estimate of £132,000 was indicated.

- Enhancements to BSC Agent Systems to allow the number of Supplier Ids to exceed current system design limits.

This option was not explored as the VASMG considered the requirement for multiple Supplier Ids would not exceed BSC System design limits (which are 200 Supplier Ids) within the foreseeable future.

The VASMG noted that these enhancements would not be needed nor justifiable with the small numbers of additional Supplier Ids required at least initially, noting that such enhancements could be introduced at a later stage should the number of Supplier Ids required increase significantly. The VASMG agreed that the existing processes within BSCCo should be enhanced to ensure more robust processes for dealing with requests for multiple Supplier Ids by changes to the Code and Code Subsidiary Documents only.

7.3 Cost recovery

The VASMG agreed that it would be appropriate to consider the different cost recovery options under both scenarios. These options include spreading the implementation and development costs across all Parties (though the standard cost recovery mechanisms), or targeting costs at the Parties requiring additional Supplier Ids through specific charging arrangements.

The Code specifies Party charges in relation to BM Units under Annex D-3. These charges specify that for each set of Base BM Units, £100 per month for each set is applicable. The VASMG agreed that this goes some way to ensuring that costs are attributed appropriately in the case were additional Supplier Ids are required. The VASMG also considered that sufficient disincentive exist (such as the Entry Process) that would preclude Parties from registering each Supply business as a Party thus allowing a Party to obtain more than 2 additional Supplier Ids.

7.4 Principle of Transfer

The VASMG considered the implications of transferring multiple Supplier Ids under a merger or trade sale situation and concluded that when a Party inherits the Supplier Ids of another, the inherited Supplier Ids should all be deemed as trade sale or merger Supplier Ids. This provides unlimited Supplier Ids in the case of trade sale or merger but retains the ability for a Party to have upto 2 additional Supplier Ids for its own internal business use.

8 SUMMARY OF REPRESENTATIONS

The draft Modification Report was issued for consultation on 20 February 2003 with responses due back on 4 March 2003. XX responses were received;

- *XX responses (XX Parties) supported the recommendation that the Proposed Modification should be made;*
- *XX responses (XX Parties) supported the recommended Implementation Date;*
- *XX responses (XX Parties) supported the Legal Drafting;*
- *XX response (XX Party) did not support the Panel recommendations; and*
- *XX response had no comment.*

Annex 2 of this report contains a summary of the responses and copies of the actual responses received. A summary of the arguments raised in the responses is given below in sections 8.1 and 8.2. *[Insert sentence to say if any of these arguments are new or if they were considered during the Assessment Procedure].*

8.1 Arguments Supporting the Panel Recommendations

The following arguments were raised in the consultation responses, in support of the Panel recommendation that the Proposed Modification be made:

- *[insert details of any arguments raised in consultation responses]*

8.2 Arguments Against the Panel Recommendations

The following arguments, raised in the consultation responses, did not support the Panel recommendation that the Proposed Modification be made;

- *[insert details of any arguments raised in consultation responses]*

8.3 Panel Discussion of Representations

At the Panel meeting of 13 March 2003, the arguments raised in the consultation responses were presented.

[Insert details of any Panel discussions relating to the consultation responses]

ANNEX 1 LEGAL TEXT

See attached document (P106 Legal drafting v2).

ANNEX 2 SUMMARY OF REPRESENTATIONS

The draft Modification Report was sent out for consultation on 19 February 2003 with responses due back on 3 March 2003. The table below gives a summary of the responses and the actual responses received are attached below.

	Responses	Parties	Non Parties
Support recommendations			
Do not support recommendations			
No Comment			
Total			

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented	No. non Parties Represented	Views
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					

DETAILED RESPONSES

[Insert copies of responses received]