

Our *ref.* BS2 I-06-02  
Your *ref.*



21 June 2002

Mr David Haldearn  
Director – Scotland and Europe  
Office of Gas and Electricity Markets (Ofgem)  
9 Millbank  
London  
SW1P 3GE

Dear Mr Haldearn

**The Development of British Electricity Trading and Transmission Arrangements (BETTA)**

This is the response from ELEXON to the Ofgem/DTI Document, The Development of British Electricity Trading and Transmission Arrangements (BETTA) – Report on consultation and next steps, May 2002.

ELEXON is the Balancing and Settlement Code Company (BSCCo) defined and created by the Balancing and Settlement Code (BSC or 'the Code'). All companies licensed to supply, generate or transmit electricity in England and Wales are obliged to sign the Code, other parties may choose to do so. The Code places obligations on ELEXON.

The rules and governance for trading in the Balancing Mechanism and Imbalance Settlement process are contained within the Code, and it is these two areas that ELEXON manages in conjunction with the BSC Panel.

ELEXON provides and procures facilities, resources and services required for the proper, effective and efficient implementation of the Code.

This response is confined to views on the impact of BETTA on the BSC systems and processes for which ELEXON has obligations and responsibilities.

**Summary**

In general, we hold the same views now as we did when we responded to the earlier, December 2001, consultation on BETTA. Both the December response and this one are predicated on the assumption that ELEXON would be the GB BSCCo. This assumption derives from the position stated in the consultation document that the arrangements for BETTA would be based on the arrangements prevailing in England and Wales. We summarise the main points below. Further detail can be found in that earlier consultation response.



- We **recognise** that the issues to do with extending the **NETA** settlement process to Scotland are less substantial than those relating to System Operation and Transmission Ownership. However, we believe that there will be a significant volume of detailed but essential work to be done on the settlement aspects of **BETTA** and that this work will inevitably absorb time in the overall **BETTA** plan. For example, there will be work to be done on:
  - impact assessments and detailed scoping of the actions required;
  - the procurement of BSC Agents under **BETTA** (GB BSC Agents);
  - the run off of current Scottish Settlements,
  - data take-on and verification;
  - metering requirements, including the requirements to install metering in Scotland;
  - testing and trialling;
  - personnel and corporate issues related to the creation of the GB BSCCo;
  - cost identification and cost recovery;
  - profiling arrangements in Scotland;
  - support for the GB BSC Panel and GB BSC Modification process, particularly if there is parallel running of the GB BSC and England & Wales BSC;
  - implementation of any specific Island settlement processes; etc.
- Whilst most of the above will not be difficult policy issues, it will be necessary to investigate what the precise requirements are, and the options available to deliver those requirements at an early stage, and from this to assess the timing implications. This initial work may reveal that some work on **BETTA** settlements should commence early to enable an April 2004 implementation to be achieved. To this end we believe that it would be helpful that the GB BSCCo is confirmed soon and given responsibility to start work. Whether or not ELEXON and/or SESL form part of GB BSCCo, these two existing parties will inevitably be involved in the transition to **BETTA**. At present provisions within **NGC's** transmission licence and the BSC do not provide for **ELEXON's** involvement and thus a modification to the BSC and potentially to both **BSCCo's** Memorandum and Articles of Association and the transmission licence may be required. Whatever role ELEXON is called upon to fulfil, ELEXON will be committed to doing all it can to assist with the **BETTA** project and feels that it is well placed to support the development of **BETTA** settlement.
- ELEXON would find it helpful to have a comprehensive statement (framework document) of the elements of **BETTA**, which would help clarify the roles and responsibilities of the various parties (in particular ELEXON) within the overall **Ofgem/DTI** plan.

## **Detailed Comments**

### **Paragraphs 4.28 to 4.35**

We note that a GB BSC is to be developed based on the current England & Wales BSC. However, we also note that the GB BSC may be modified, for example, as stated in paragraph 4.33, to address any perceived inequities. We suggest that such changes be identified as early as possible to allow both the central and GB BSC Parties' systems and procedures to be prepared prior to **BETTA** 'Go Live'. We also believe it would be helpful to identify which, if any, of such changes would be undertaken by a GB BSC Panel process, with consequent timing implications, or whether they would form part of a designated GB BSC.

We agree with the statement in paragraph 4.35 that "there may be a significant volume of detailed work" in extending central systems to incorporate **BETTA**. The work required to deliver the settlement changes, including procurement of central service providers, and the data take-on/migration that may be necessary for **BETTA** Go Live should be identified at an early stage. It can then be put into the overall project plan and any critical timing issues identified. Subject to our remit allowing us to do so, we would be happy to help **Ofgem/DTI** with this work.

### **Paragraph 5.8**

We believe that work on identifying and resolving central settlement issues will need to commence early in order to meet an April 2004 implementation date. Whoever is tasked with this may therefore need to make assumptions about the eventual content of the GB BSC and associated documentation. It is therefore important that, where there are areas that may change in moving from the current England & Wales BSC to a GB BSC, these are identified and ideally resolved as soon as possible, for example the treatment of smaller generators.

### **Paragraphs 5.9 to 5.11**

We support the development of an Implementation Scheme and Transition Plan. In respect of the governance of the GB BSC in the period up to **BETTA** Go Live, it will need to be determined when the GB BSC Panel goes live and what level of support it will require from the GB BSCCo in the period prior to **BETTA** Go Live.

We believe it would be appropriate and necessary for **ELEXON** and **SESL** to be involved in the work of the expert group on transition issues, irrespective of the eventual identity of the GB BSCCo. In this respect the early relaxation of the current legal constraints on **ELEXON** would be necessary.

#### **Paragraph 5.17**

Costs incurred in amending central settlement systems, the procurement of GB BSC Agents and associated work will also need to be recovered by those parties tasked with undertaking this work.

#### **Paragraph 5.18**

It is almost inevitable that there will also be some transfer of assets and staff involved in the setting up of the GB BSCCo, whatever its eventual identity. The inclusion of the associated legal and personnel issues within the overall **BETTA** plan will help to ensure that such issues are managed in an orderly manner.

#### **Paragraphs 5.20 to 5.25**

From our perspective as the BSCCo under the England & Wales BSC, we believe that any of the Ofgem/DTI options for ascertaining the viewpoint of all those affected under the GB BSC can be made to work. However, we have the following observations on the options.

- Under all options, it would be helpful if parties affected by **BETTA** could plan with confidence in the knowledge of how Modification decisions made in respect of the England & Wales BSC, for example, would carry over into the GB BSC or other document as appropriate. Therefore, under the first option, it would be helpful if the Authority were able to signal the likely impact on the GB BSC of its decision in respect of the England & Wales BSC.
- As proposed in the second option, it would suggest that, although the Authority takes due account of the effect on **BETTA** arrangements, the decision will be in respect of the relevant England & Wales document alone. Again in order for parties to plan the effect on the GB BSC, etc., it would be helpful for:
  - the Authority to give some indication of its thinking of whether this Mod would be carried over into the GB BSC;
  - the Authority to be able to make a decision in respect of the GB BSC at the time; or
  - there could be a presumption that all Modifications approved by the Authority from a certain date would carry forward into the appropriate GB document unless stated otherwise.
- We have a similar comment on the third option: that it would be helpful for parties to have an understanding of the Authority decision with respect to the GB BSC, or other GB document as appropriate, as soon as practicable.



- The fourth option may meet the requirements that parties shall be notified of the effect on the GB BSC if the Modification process is carried out under a similar, defined timetable procedure, as that of the England & Wales BSC and the Authority decision is made known as soon as practicable. However, parallel Panels (England & Wales, and GB) would have cost implications and the treatment of new Modification proposals, i.e. raised after **BETTA** 'Go active' would need careful consideration. There is the possibility that Modifications to both Codes could be 'frozen' in the period between **BETTA** Go active and Go Live. This could occur if the GB BSC Panel were constituted purely to consider whether already approved Modifications should be carried over into the GB BSC. It would need to be clarified how Modifications subsequently raised or in the process of progressing under the England & Wales BSC would be treated in the run up to **BETTA** Go Live.
- Assuming that the proposed model is similar to the existing model then the new GB BSC Panel will need support from the GB BSCCo in overseeing the GB BSC Modification process. We also note that the elections for the England & Wales BSC Panel are about to be undertaken (and similarly that appointments will be made to the BSCCo Board). The period of office for both bodies will run from 1 October 2002 to 30 September 2004. The implications of constituting a GB BSC Panel and indeed of **BETTA** Go Live for Panel and Board Members' tenure and, in some cases, contracts may need to be identified soon. Also there is a reasonably long lead time in the England & Wales BSC election process. The process for establishing the GB BSC Panel may need a similar period.

#### **Paragraph 5.26**

It is important that any decisions with respect to **BETTA** are made known as soon as possible and that a realistic view is taken of the time to implement any major resulting change.

#### **Chapter 6 and paragraphs A5.25/A5.26**

We believe that it is important that work on central **BETTA** settlement issues commences soon. In this regard the following issues need to be resolved quickly:

- the legal constraint on the England & Wales BSCCo working on **BETTA** – no matter what the identity of the GB BSCCo, it would be efficient and effective if ELEXON was able to work on **BETTA** transition issues in parallel with its work on the development and implementation of changes to the England and Wales BSC systems and processes.
- the identity of the GB BSCCo;
- the basic form of the GB BSC;
- responsibility for managing other aspects of the transition process, including the drafting of GB BSC Procedures, the procurement of GB BSC Agents, and data take-on/migration issues; and
- cost and cost recovery mechanisms



We are pleased that **Ofgem/DTI** has already **recognised** the importance of these issues. In particular, we welcome the views expressed in paragraph A5.25 that there could be benefits from the early involvement of SESL and ELEXON. Of the issues identified above, we believe that the first three bullets are the most important, as this will allow ELEXON and SESL to commence planning with certainty in the process towards **BETTA** implementation. It will also be important to identify other central service providers at an early stage to allow parties to begin working formally together, and we note the recent **DTI/Ofgem** consultation on the appointment of the GB System Operator.

#### **Paragraph A9.4**

We note the comment that “the aim should be to drive as hard as possible for an April 2004 implementation, where necessary leaving some matters of detail to be resolved later where this does not impact significantly upon participants”. In order to avoid subjective judgements as to what constitutes an acceptable impact or quality, it would seem appropriate for the **BETTA** project to develop Go Live criteria, in a similar manner to the development of criteria for **NETA**.

#### **Paragraph A9.13**

We note that ELEXON is not mentioned by name as one of the bodies contributing expertise into the settlement and implementation expert group but would welcome the opportunity to become involved.

#### **Paragraph A9.17**

We would welcome early publication of the **BETTA** project organisation.

#### **Paragraph R.36**

We agree that the **NETA** settlement systems will need to be extended for **BETTA**, although final confirmation that more significant changes are not required will need to await the detail in the GB BSC and, for example, the determination of what will constitute the solution to Shetland Islands settlement. It will be important that **BETTA** considerations/requirements are factored into the next procurement exercise and any systems/contractual changes resolved at around the same time.



#### Appendix 4

We strongly endorse the need to identify the GB BSCCo at an early stage. The time to develop, test and, particularly, populate settlement systems with valid data needs to be allowed for in the overall **BETTA** plan, and it should be noted that this work cannot commence until the GB BSCCo is identified and responsibilities allocated.

In summary, we remain committed to assisting with the delivery of **BETTA** in any way we can, and believe we have considerable specialist knowledge and skills to offer, although our ability to do so, given the constraints on our vires contained in the transmission **licence** and the Code is limited.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brian Saunders", is positioned above the printed name and title.

**Brian Saunders**  
Chief Executive