

May 2002

MODIFICATION REPORT
MODIFICATION PROPOSAL P61 –
Ad Hoc Adjustments to Settlement
involving material errors without
resorting to Ad Hoc Settlement
Runs

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

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I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Signature	Change Reference

Version	Date	Reviewer	Signature	Responsibility
0.1	22/04/02	P61 Modification Group	N/A	<i>Overall clarity and accurate reflection of the members views</i>
0.1	22/04/02	Ceri Hughes	ELEXON Trading Development	<i>Accuracy of impact on relevant CIs</i>
	22/04/02	Robin Eccles	ELEXON Design Authority	<i>Accuracy of impact on relevant CIs</i>
0.1	22/04/02	Cathy Woods	ELEXON Legal	<i>Accuracy of Legal section</i>
0.1	22/04/02	Alex Grieve	BSC Systems Delivery Programme	<i>Accuracy of Project Brief</i>
0.1	22/04/02	Christina Kennedy	ELEXON Disputes	<i>Accuracy of relevant impact statement</i>
0.1	22/04/02	Richard Humphreys	ELEXON Finance	<i>Accuracy of relevant impact statement</i>
0.1	22/04/02	Peter Wibberly	ELEXON Trading Operations	<i>Accuracy of relevant impact statement</i>
0.1	22/04/02	Graham Webb	ELEXON Contracts	<i>Accuracy of service contract statements</i>
0.1	22/04/02	Catherine Forrester	ELEXON Performance Assurance	<i>Overall clarity</i>
0.1	22/04/02	Dorcas Batstone	ELEXON Modifications	<i>Overall clarity & suitability of modified structure to accommodate comparison with CP517</i>

b Distribution

Name	Organisation
Each BSC 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 Intellectual Property Rights and Copyright

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d Related Documentation

Reference	Document
Reference 1	Modification Proposal P61 'Ad Hoc Adjustments to Settlement involving material errors without resorting to Ad Hoc Settlement Runs'
Reference 2	Initial Assessment of Modification P61 (IWA061)
Reference 3	Modification P61 Assessment Consultation V1.0
Reference 4	Modification P61 Requirements Specification V1.0
Reference 5	Change Proposal 517 'Multiple Occurrences of Disputes Pre and Post-Final Settlement Runs
Reference 6	BSC Business Process Model V4.0
Reference 7	Assessment Report of Modification P61 V1.1

II CONTENTS TABLE

I	Document Control.....	2
a	Authorities.....	2
b	Distribution.....	2
c	Intellectual Property Rights and Copyright.....	2
d	Related Documentation.....	3
II	Contents Table	4
1	Summary and Recommendations	5
1.1	Recommendation.....	5
1.2	Background	5
1.3	Rationale for Recommendations.....	5
2	Introduction.....	7
3	Purpose and Scope of the Report	7
4	History of Proposed Modification.....	8
5	Description of Proposed Modification.....	8
6	Rationale for Panel Recommendations	9
7	Legal Text to Give Effect to the Proposed Modification.....	11
7.1	Conformed Version	11
7.2	Clean Version	11
8	Assessment	12
9	Summary of Representations.....	12
Annex 1	– Representations	14

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, as set out in Section 5 of this Modification Report is approved, with a 'calendar day' implementation effective from the release date of the BSC Systems Delivery Programme on the 12 August, following an Authority decision by 20 May to approve Modification Proposal P61. A later decision will effect a release date of 10 December.

1.2 Background

Modification Proposal P61 was submitted on 31st December 2001 by ScottishPower Energy Trading Ltd. The Modification Proposal seeks to address the compliance issue of Ad Hoc Settlement Runs by an alternative means and remove Ad Hoc Settlement Runs as the means to effect agreed adjustments, with the exception of a single Disputes Final Run.

The inability to perform multiple Disputes Pre- and Post-Final Settlement Runs (i.e. Ad-Hoc Settlement Runs) is a non-compliance with the BSC addressed via Change Proposal 517. This issue has been presented to the Panel (paper33/022), indicating a severe impact on participant systems and processes if CP517 is implemented.

Modification P61 proposes an alternative solution to CP517. One that is a more cost effective, and practical, standard methodology for adjustment of a material error in Settlement. By using timetabled settlement runs or if required calculate a manual interim adjustment between settlement runs.

The Assessment Report for Modification Proposal P61 (Reference 7) was submitted for consideration at the Panel meeting of 18 April 2002. The Panel endorsed the recommendations of the Modification Group and agreed to submit Modification Proposal P61 to the Report Procedure, with a recommendation that the proposed modification be approved with a 'calendar day' implementation. To be effective from the release date for the BSC Systems Delivery Programme which first occurs not less than 3 months after the date of the Authority's determination.

Modification Proposal P61 should proceed to the Report Phase in accordance with section F2.7 of the Balancing and Settlement Code (the Code) for presentation to the Panel meeting on 16 May 2002.

1.3 Rationale for Recommendations

Modification P61 proposes an alternative solution to CP517, that aligns the code with the current capability of BSC Systems (Central as well as Participant Systems) with regard to Volume Allocation and Settlement Runs.

The Modification has only a minor impact on BSC Systems and it was the clear opinion of the Modification Group that this proposal was a cost and resource effective solution to the compliance issue.

In particular, it is the consensus of opinion in consultation responses that the Modification Proposal will meet applicable objective C3(3) (d) to promote efficiency in the implementation and administration of the balancing and settlement arrangements.

The Panel supported this rationale by endorsing the Assessment Report recommendations.

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC 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 PURPOSE AND SCOPE OF THE REPORT

BSC Section F sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'). These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications. This report has been drafted in accordance with the obligations set out in Section F of the Code.

The BSC Panel is charged with supervising and implementing the modification procedures. ELEXON provides the secretariat and other advice, support and resource required by the Panel for this purpose. In addition, if a modification to the Code is approved or directed by the Authority, ELEXON is responsible for overseeing the implementation of that amendment (including any consequential changes to systems, procedures and documentation).

A Modification Report must be prepared and submitted to the Authority in respect of each proposed modification and must contain:

- (a) The recommendation of the Panel as to whether or not the Proposed Modification or any Alternative Modification should be made;
- (b) The proposed Implementation Date for implementation of the Proposed Modification or any Alternative Modification;
- (c) The matters set out in Annex F-1 of the BSC. This will usually be in the form of the relevant Assessment Report where the Proposal has been submitted to a Modification Group prior to the Report Phase;
- (d) An explanation of the Panel's rationale should the Panel form a different view of any matters contained in the Modification Group Report; and
- (e) A summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Proposed Modification and any Alternative Modification.

4 HISTORY OF PROPOSED MODIFICATION

The inability to perform multiple Disputes Pre- and Post-Final Settlement Runs (i.e. Ad-Hoc Settlement Runs) is a non-compliance with the BSC addressed via Change Proposal 517. This issue has been presented to the Panel (paper33/022), indicating a severe impact on participant systems and processes if CP517 is implemented.

CP517 seeks to deliver the requirement of section W of the BSC for the settlement of Disputes through multiple Ad-Hoc Settlement Runs, for any given Settlement Date, both within the fourteen month period (pre-final Settlement) and beyond that up to a cut off point of three years (post-final Settlement).

Modification Proposal P61 was submitted on 31st December 2001 by ScottishPower Energy Trading Ltd. The Modification Proposal seeks to address the same compliance issue by an alternative means and remove the requirement for Ad Hoc Settlement Runs as the means to effect agreed adjustments, with the exception of a single Disputes Final Run.

A Disputes Final Run is an extra Settlement Run outside of the timetabled Settlement Runs, and is performed after the final Settlement Run. The Dispute Final Run would take place within a window of twenty to twenty four months after the Settlement Day in question. This would allow the raising of any Post-Final Disputes in accordance with BSCP 11.

The modification proposes that a more cost effective, and practical, standard methodology for adjustment of a material error in Settlement is to use timetabled settlement runs or if required calculate a manual Interim Adjustment between settlement runs.

The Modification has only a minor impact on BSC Systems, as effectively it aligns the Code with the current capability of BSC Systems (Central as well as Participant Systems) with regard to Volume Allocation and Settlement Runs.

There is an option to automatically carry out the calculation of the Interim Adjustment levels but due to the expense and the low expected frequency the Modification Group and Industry felt that the purely manual option was preferred.

5 DESCRIPTION OF PROPOSED MODIFICATION

Modification Proposal P61 removes Ad-Hoc Settlement Runs from the Code and proposes that Trading Disputes are settled by:

- Applying the correction at the next convenient Timetabled Reconciliation Settlement Run; or
- Using a single Dispute Final Run post the Timetabled Final Reconciliation Run; or
- Using an interim adjustment between settlement runs.

The single Dispute Final Run would not be a timetabled Reconciliation Run but would be run at the discretion of the Panel/TDC.

The concept of 'Interim Adjustment' being where there is an urgent requirement to make an adjustment, say for cashflow reasons, then a simple and approximate manual calculation of the error, carried out by ELEXON on behalf of the Trading Disputes Committee and agreed by the BSC Panel, outside the timetabled Reconciliation Settlement Runs, would be put into effect. This would effect an instruction to the FAA to recover monies from a specific number of advantaged Parties payable to the disadvantaged Party. The appropriate Parties to be decided upon by ELEXON and approved by the Trading Disputes Committee on a case by case basis. The legal term for Interim Adjustment, as used in the legal text for BSC inclusion, is Extra Settlement Determination.

A second instruction is then issued to the FAA prior to the date of the next timetabled Reconciliation Run (including the case where this is a Disputes Final Run). This second instruction effectively reverses the initial amounts but includes an interest element, due from the point of the initial payments up to the point of their repayment. The disadvantaged Party would be liable to pay the appropriate interest to each of the other Parties involved in the interim adjustment. This is intended to ensure that the interim adjustment process is transparent (auditable) and equitable and reflects the transactions of monies within the settlement boundaries.

6 RATIONALE FOR PANEL RECOMMENDATIONS

[Insert an analysis of and the views and rationale of the Panel as to whether (and, if so, to what extent) the Proposed Modification would better facilitate achievement of the Applicable BSC Objective(s). The rationale should refer to any analysis or impact assessment undertaken by the Modification Group, ELEXON, the Transmission Company, BSC Agents, Core Industry Document owners etc. The details should be attached as annexes at the back of the report or reference made to the Assessment Report where applicable.]

7 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

7.1 Conformed Version

The red lined version of amended BSC text is at Annex 2.

7.2 Clean Version

The clean version of amended BSC text is at Annex 3.

8 ASSESSMENT

The impact of Modification Proposal P61 can be found in section 6 of the Assessment Report. The key points are:

- The main changes to the code are to Sections U and W.
- BSC Agent Service Descriptions and Service Lines are impacted, to remove the requirement for Ad Hoc Settlement Runs and to clarify the requirement for Dispute Final Runs. The same is required for Party Service Lines.
- Four BSCPs are affected; replacing the terminology of Ad Hoc Settlement Runs. For BSCP 11 there is an additional need to describe the process for 'Interim Adjustments'.
- The only impact to BSC IT Systems is for the FAA to include the process for Interim Adjustment payments and invoices.
- Parties and Party Agents indicate no or minimal impact to their systems.

9 SUMMARY OF REPRESENTATIONS

[Insert summary of responses to consultation on Draft Modification Report. Insert copies at Annex 1.]

[A summary and copies of the original representations received and considered by the Modification Group under the initial consultation on this proposal can be found in the Assessment Report on this proposal. This Modification Report should be read in conjunction with that Assessment Report.]

ANNEX 1 – REPRESENTATIONS

[Insert copies of representations on Draft Modification Report]