

April 2002

**MODIFICATION REPORT**  
**MODIFICATION PROPOSAL P66 –**  
**ECVNAs and MVRNAs to Receive**  
**ECVAA Forward Contract Report**

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

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### 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
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### c Related Documents

Reference	Document
Reference 1	Assessment Report for Modification Proposal P66 'ECVNAs and MVRNAs to Receive ECVAAs Forward Contract Report' (MAR066 V2.0 17 April 2002)

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## **II CONTENTS TABLE**

<b>I</b>	<b>Document Control.....</b>	<b>2</b>
a	Authorities.....	2
b	Distribution.....	2
c	Related Documents.....	2
d	Intellectual Property Rights and Copyright.....	2
<b>II</b>	<b>Contents Table .....</b>	<b>3</b>
<b>1</b>	<b>Summary and Recommendations .....</b>	<b>4</b>
1.1	Recommendation.....	4
1.2	Background .....	4
1.3	Rationale for Recommendations.....	5
<b>2</b>	<b>Introduction.....</b>	<b>5</b>
<b>3</b>	<b>History of Proposed Modification.....</b>	<b>5</b>
<b>4</b>	<b>Description of Proposed Modification.....</b>	<b>7</b>
<b>5</b>	<b>Legal Text to Give Effect to the Proposed Modification.....</b>	<b>8</b>
<b>6</b>	<b>Summary of Representations.....</b>	<b>8</b>
<b>Annex 1 – Representations .....</b>		<b>9</b>

## 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 P66, as set out in section 4 of this Modification Report, should not be made;**
- **Were the Proposed Modification P66, as set out in section 4 of this Modification Report, to be made:**
  - **The Implementation Date should be 10 December 2002, where an Authority decision is received no later than 10 September 2002, and 25 February 2003, where an Authority decision is received no later than 10 November 2002; and**
  - **The initial charge (per notification agent, per annum) should be set at £20,600<sup>1</sup>, but subject to Panel review at the time of implementation.**

### 1.2 Background

Modification Proposal P66 'ECVNAs and MVRNAs to Receive Forward Contract Report' was raised on 18 January 2002 by TXU UK Ltd. The Modification Proposal seeks to implement a version of the Forward Contract Report (ECVAA-I022 / E0221) specifically for Notification Agents (ECVNAs and MVRNAs). The Proposal follows on from Modification Proposal P17 'ECVNAs to receive 7-Day Report', which was rejected by the Authority on the grounds of inappropriate cost allocation. Therefore Modification Proposal P66 also seeks to address the issue of cost recovery and associated allocation.

The Panel, at their meeting of 14 February 2002, considered the Initial Written Assessment of Modification Proposal P66 and agreed that Modification Proposal P66 be submitted to the Assessment Procedure, with the Assessment Report due for consideration at the Panel meeting of 18 April 2002. The Panel also agreed that the Assessment Procedure should be undertaken by the Contract Notification Modification Group (CNMG) as the CNMG had been responsible for the original assessment of Modification Proposal P17.

The Contract Notification Modification Group (CNMG) met twice (19 February 2002 and 19 March 2002). Two consultations and one impact assessment were issued (responses to these are summarised in Section 12 and provided in full in Annex 2 of the Assessment Report (Reference 1)). The responses from both consultations (particularly the second), indicate that there is no requirement for the new notification agent Forward Contract Report. On this basis, the CNMG agreed that their recommendation with regards to Proposed Modification P66 would be that it should not be made.

The Assessment Report for Modification Proposal P66 (Reference 1) was considered at the Panel meeting of 18 April 2002 and the Panel supported the recommendations of the CNMG made therein, and agreed to submit Modification Proposal P66 to the Report Phase, with a provisional recommendation from the Panel to the Authority that the Proposed Modification should not be made.

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<sup>1</sup> Based on the assumptions laid out in the Assessment Report for Modification Proposal P66 (Reference 1) that all development and implementation costs are recovered (including those incurred under Modification Proposal P17) over three years, with operational costs recovered annually, and the resultant costs spread over five notification agents.

As a consequence of this recommendation, the view of the Authority was sought as to whether legal drafting was required for the Proposed Modification and the Authority confirmed that they would not be requiring legal drafting for Modification Proposal P66.

### **1.3 Rationale for Recommendations**

The Panel supported the recommendations and rationale of the CNMG with regards to Modification Proposal P66, namely that:

- The CNMG acknowledges that the majority of BSC Parties support the principle of the Modification and believe that it better facilitates the Applicable BSC Objectives. However, the CNMG also recognise that it is not cost beneficial to proceed with the development and implementation of a Modification which is not likely to be taken up, and therefore for which costs are not likely to be recovered; and
- The CNMG also noted that the lack of take up / requirement is not attributable to the associated charge for receipt of the report, but is mainly a factor of internal notification agent development costs for receipt of the report considered in conjunction with the fact that the majority (all but one) of current notification agents are also BSC Parties and therefore receive the BSC Party variant of the Forward Contract Report.

On this basis, the Panel agreed to support the recommendation of the CNMG that the Proposed Modification should not be made.

It should be noted that section 1.3 and section 3.2 of the Assessment Report for Modification Proposal P66 (Reference 1) provide the detailed rationale supporting the recommendations of the CNMG.

## **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](http://www.elexon.co.uk)

## **3 HISTORY OF PROPOSED MODIFICATION**

Modification Proposal P66 'ECVNAs and MVRNAs to Receive Forward Contract Report' was raised on 18 January 2002 by TXU UK Ltd. The Modification Proposal seeks to implement a version of the Forward Contract Report (ECVAA-I022 / E0221) specifically for Notification Agents (ECVNAs and MVRNAs). The Proposal follows on from Modification Proposal P17 'ECVNAs to receive 7-Day Report', which was rejected by the Authority on the grounds of inappropriate cost allocation. Therefore Modification Proposal P66 also seeks to address the issue of cost recovery and associated allocation.

The Panel, at their meeting of 14 February 2002, considered the Initial Written Assessment of Modification Proposal P66 and agreed that Modification Proposal P66 be submitted to the Assessment

Procedure, with the Assessment Report due for consideration at the Panel meeting of 18 April 2002. The Panel also agreed that the Assessment Procedure should be undertaken by the Contract Notification Modification Group (CNMG), as the CNMG had previously been responsible for the assessment of Modification Proposal P17.

The CNMG met on 19 February 2002 and 19 March 2002, to review Modification Proposal P17 and the Authority Decision letter (on the BSC Website:

[www.elexon.co.uk/ta/modifications/modsprops/hP017/P17\\_Ofgem\\_Decision.pdf](http://www.elexon.co.uk/ta/modifications/modsprops/hP017/P17_Ofgem_Decision.pdf)) and investigate the principle of cost allocation for Modification Proposal P66.

At their meeting of 19 February 2002, the CNMG agreed the consultation document and the associated questionnaire, and subsequently the consultation was issued to BSC Parties and all notification agents on 22 February 2002, (responses due 8 March 2002).

An Impact Assessment was undertaken concurrently, requesting an assessment of the impacts associated with the development and implementation of Modification Proposal P66 from BSC Parties, notification agents, the BSC Central Service Agent and ELEXON.

The responses to the first consultation and the impact assessments were provided to the CNMG for discussion at their meeting of 19 March 2002. The impact assessments enabled the CNMG to determine more accurately the costs for allocation under Modification Proposal P66. Therefore at their meeting of 19 March 2002 the CNMG defined the relevant cost recovery mechanism and determined the costs to be recovered. At the same meeting, the CNMG agreed that a further, second consultation would be required, providing the relevant costs, in order to determine the likely take up of the notification agent Forward Contract Report and to request reaffirmation of the previous consultation responses from BSC Parties.

Therefore a consultation document was provided to notification agents on 5 April 2002, with responses due back on 15 April 2002. The responses from the second assessment consultation for Modification Proposal P66 indicate that there is no requirement for the new notification agent Forward Contract Report. As there had been no response to (either) consultation from exchanges / third party notifiers, three exchanges were canvassed, at the request of the CNMG, to determine whether they had a requirement for the report. Only two responded, and both confirmed that they had no requirement.

On this basis, the CNMG agreed (by e-mail and telephone), to amend the recommendations such that the recommendation with regards to Proposed Modification P66 would be that it should not be made.

The Assessment Report, containing the CNMG recommendations and supporting rationale, was considered by the Panel at their meeting of 18 April 2002. The Panel supported the recommendations of the CNMG and agreed that Modification Proposal P66 should be submitted to the Report Phase with a provisional recommendation to the Authority that Modification Proposal P66 should not be made.

The Panel also noted that implementation aspects of Modification Proposal P66 were required to be reflected in the draft Modification Report. Therefore the Panel agreed to support the recommendations of the CNMG with regards to the implementation aspects of the Proposed Modification, namely the Implementation Date and the setting of the initial charge. The Panel noted that the initial charge of £20,600 per notification agent, per annum, is based on the following assumptions (these assumptions are covered in more detail in section 1.3, 3.2 and 4.2 of the Assessment Report for Modification Proposal P66 (Reference 1)):

- Development and implementation costs of £272,000 (incorporating £200,000 incurred for development of Modification Proposal P17), to be recovered;

- Development and implementation cost recovery spread over three years;
- Operational costs of £12,000 p.a., recovered on an annual basis; and
- A take up of five notification agents.

The Panel agreed to endorse the recommendation of the CNMG that the initial charge be set to £20,600, based upon the above assumptions, in order to provide a guide to the Authority and BSC Parties / notification agents. However, the Panel noted that this charge level may require amendment at the time of implementation of Modification Proposal P66 subject to the number of notification agents taking up the service.

#### **4 DESCRIPTION OF PROPOSED MODIFICATION**

Modification Proposal P66 seeks to implement a 'Forward Contract Report' specific to Notification Agents (ECVNA's and MVRNA's). The key features of this report are as follows:

- It will contain confirmation of only those notifications sent by the recipient notification agent. This will be in a similar format to the BSC Party variant of the Forward Contract Report;
- It will be produced to the same service levels as the existing Forward Contract Report; and
- It will be 'kept in step' with any developments to the existing BSC Party Forward Contract Report (unless the development is not pertinent to the notification agent version).

It should be noted that the existing Forward Contract Report for BSC Parties is unaffected by the implementation of this notification agent variant of the report.

The notification agent Forward Contract Report will provide information on notified Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MVRNs) to notification agents who request it.

Where a notification agent wishes to receive a copy of the notification agent Forward Contract Report, then the notification agent will provide a request to ELEXON, via a call to the ELEXON Helpdesk.

On receipt and processing of this request, ELEXON will immediately invoice the notification agent to recover the charge associated with the provision of the report.

The charge is made for receipt of the report on an annual basis (i.e. the charge covers receipt for a year from the date of the request to the CRA to switch the report on for the notification agent). If the notification agent chooses to switch the report off part way through the year, the charge, or part thereof, will not be refunded. Towards the end of the year, ELEXON will invoice the following years charge to the notification agent, who will then have the opportunity to pay the invoice and thus 'sign up' for receipt for the following year.

Once ELEXON has recovered the charge from the notification agent (i.e. the notification agent has paid the invoice), ELEXON will provide the BSC Central Service Agent (the Central Registration Agent (CRA)) with a completed copy of Form BSCP41/01 'Changes to Individual Reporting Requirements' signed and Authorised by ELEXON and containing the details of the notification agent which is to receive the report.

On receipt and processing of this request, the BSC Central Service Agent will 'switch on' the notification agent Forward Contract Report for the relevant notification agent. The notification agent will then receive the Forward Contract Report to the same schedule as the existing report until either:

- The notification agent requests that ELEXON switch the report off (again via a call to the ELEXON Helpdesk); or
- The year that the previous charge was payable for expires and the notification agent has not paid the charge for the following year.

In both cases, ELEXON will submit a completed copy of the Form BSCP41/01 'Changes to Individual Reporting Requirements' signed and Authorised by ELEXON and containing the details of the notification agent and the request to switch the report off for that notification agent, to the Central Registration Agent, who will action the request.

It should be noted that the BSC Central Service Agent will continue to provide the report to the notification agent until a request to switch it off is received from ELEXON. A new request from ELEXON need only be submitted where there is a new notification agent wishing to receive the report, or where the report has previously been switched off for a notification agent who wishes to receive it again.

## **5 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION**

The Authority have confirmed that no legal drafting is required for Proposed Modification P66, therefore none is provided.

## **6 SUMMARY OF REPRESENTATIONS**

*Pending consultation.*



## **ANNEX 1 – REPRESENTATIONS**

*Pending consultation*