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**INITIAL ASSESSMENT OF
MODIFICATION PROPOSAL P66 -
ECVNAs and MVRNAs to Receive
ECVAA Forward Contract Report**

Prepared by ELEXON Limited

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I DOCUMENT CONTROL

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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
Core Industry Document Owners	Various

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1 SUMMARY

1.1 Modification Proposal P66

Modification Proposal P66 'ECVNAs and MVRNAs to Receive ECVAAs Forward Contract Report' was raised by TXU UK Limited on 18 January 2002. Modification Proposal P66 seeks to introduce a new variant of the Forward Notification Report specific to notification agents (ECVNAs and MVRNAs).

Modification Proposal P66 is intended to follow on from Modification Proposal P17 'ECVNAs to receive 7-Day Report', which was rejected by the Authority on grounds of inappropriate cost allocation associated with the development, implementation and operational costs.

The Authority indicated in the '*Modification to the Balancing and Settlement Code – Decision and Notice in relation to Modification Proposal P17: "ECVNAs to receive 7-Day Report"*' letter¹, that "the cost of the Alternative Modification Proposal [P17] should be targeted on those notification agents who choose to receive the Notification Agent Forward contract Report. Ofgem therefore considers that the allocation of costs associated with implementing and operating the Proposed Modification or the Alternative Modification should fall within the scope of the Modification Proposal."

Therefore the intent of Modification Proposal P66 is to implement the functionality required by Modification Proposal P17, and whilst doing so, address the Authority concerns regarding targeting of the costs associated with the implementation, development and operation to the notification agents intending to utilise the new report.

1.2 Areas of Impact

An initial assessment of Modification Proposal P66 has identified the following areas of impact:

- **The Balancing and Settlement Code:**
 - Section D 'BSC Cost Recovery and Participation Charges' is potentially impacted by the requirement to allocate the development, implementation and operational costs of Modification Proposal P66 to non BSC Signatories (namely the Party Agents ECVNAs and MVRNAs); and
 - Section V 'Reporting' requires amendment to include reference to the new variant of the Forward Contract Notification Report and to constraining this data to the recipient notification agent.
- **Code Subsidiary Documents:** The following documents require amendment to include reference to the new variant of the Forward Contract Notification Report:
 - ECVAAs Service Description;
 - The NETA Data File Catalogue (NDFC); and
 - The Reporting Catalogue.
- **BSC Systems and processes** require amendment to develop and implement the new variant of the Forward Contract Report to the same service levels as the existing Forward Contract Report. The BSC Central Service Agent specific documentation requires associated amendment (namely the ECVAAs User Requirements Specification (and potentially the Design Specification and System Specification) and the Interface Design Definition Document, Part 1).

¹ A copy of the Authority's decision letter can be downloaded from the BSC Website: www.elexon.co.uk

- **Party Agents** are impacted by the requirement to develop and implement the new variant of the Forward Contract Report, *only where they wish to receive it*. Those Party Agents choosing not to receive the new flow are not impacted.
- **BSC Parties** are not impacted by Modification Proposal P66, as the existing variant of the Forward Contract Report will be retained.
- **ELEXON** is impacted by the requirement to develop, implement and operate a solution to the cost allocation associated with this Modification Proposal.

1.3 ELEXON Recommendations

It is therefore recommended that the Modification Proposal is progressed as follows:

- **Modification Proposal P66 should be submitted to a two month² Assessment Procedure in accordance with Section F 2.6 of the Balancing and Settlement Code;**
- **That such Assessment should be undertaken by the Contract Notification Modification Group; and**
- **The Assessment Report for Modification Proposal P66 should be submitted to the Panel for consideration at their meeting of 18 April 2002.**

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.

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

Section F of the BSC 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 Initial Written Assessment is prepared in accordance with the Balancing and Settlement Code, Section F 2.1.8.

It should be noted that, as this document only represents a preliminary assessment of the Modification Proposal, the information contained herein will, in most cases, be superseded by the subsequent analysis and reports produced by the Modification Group to which the Panel assigns the proposal for consideration.

² It should be noted that a two month period has been requested to allow contingency for external dependencies, such as reconfirmation of Impact Assessments and consultation on the solution. Were the Assessment Procedure to complete earlier, then it is proposed that the Assessment Report be submitted for consideration at the Panel meeting of 14 March 2002.

4 DESCRIPTION OF THE MODIFICATION PROPOSAL

Modification Proposal P66 seeks to introduce a version of the Forward Notification Summary Report (the 7 Day Report) for Energy Contract Volume Notification Agent (ECVNAs) and Metered Volume Reallocation Agents (MVRNAs). Modification Proposal P66 follows Modification P17 'ECVNAs to receive 7 Day Report', the intent of which was to introduce the same report, but which was rejected by the Authority on the grounds of inappropriate cost allocation. Party Agents (such as ECVNAs and MVRNAs) do not contribute to BSCCo costs (under Section D of the Balancing and Settlement Code) and therefore the costs of developing and implementing Modification P17 would have been apportioned to BSC Parties, not the notification agents utilising the report.

Therefore Modification Proposal P66 seeks to introduce the report and allocate the costs of provision to those notification agents wishing to utilise it.

Modification Proposal P66 states that risks associated with notifications are having an adverse affect on trading and should be reduced wherever possible. The Modification Proposal asserts that the implementation of this report is a relatively simple and cost effective way of reducing this risk.

A copy of the Modification Proposal, as submitted by its proposer, can be found at Annex 1 to this report.

5 IMPACT ON BSC SYSTEMS AND PROCESSES

BSC System / Process	Potential Impact of Proposed Modification
Contract Notification and Reporting	<p>The new version of the Forward Contract Report (E0221) is required to be developed and implemented within the ECVAA BSC Systems. The Forward Contract Report for ECVNAs and MVRNAs should then be provided to notification agents to the same service levels as the existing Forward Contract Report for parties.</p> <p>It should also be noted that where any cost recovery mechanism requires payment prior to release of the information, then a mechanism will be required to be implemented to ensure that the BSC Central Service Agent is aware of the legitimate recipients of the information.</p>

6 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

System / Process	Potential Impact of Proposed Modification
Party Agents (ECVNAs and MVRNAs)	<p>Those notification agents choosing to receive the notification agent version of the Forward Contract Report (E0221) will be required to develop and implement the new interface.</p> <p>However, those notification agents who do not wish to receive the notification agent version of the Forward Contract Report will not be impacted.</p>
BSC Parties	<p>There is no impact on BSC Parties, as the existing version of the Forward Contract Report will be retained.</p>

7 IMPACT ON DOCUMENTATION

7.1 Impact on Balancing and Settlement Code

BSC Section	Potential Impact of Proposed Modification
D: BSC Cost Recovery and Participation Charges	<p>Potentially requires amendment to reflect any charging structure developed for cost allocation to Party Agents in order to recover / target the costs of the development, implementation and operation of Modification Proposal P66.</p> <p>It should be noted that it is expected that any charging structure be developed under the provisions of the Code, Section D 6.1, which allows for charging of relevant costs to non BSC Parties.</p>
V: Reporting	<p>This section, paragraph 3.2.2 may require amendment to indicate that the new variant of the Forward Contract Report is available only to the 'Relevant Volume Notification Agent', for example:</p> <p>"3.2.2 For the purposes of Tables 2 to 7 in ANNEX V-1: ...</p> <p>(d) "Relevant Volume Notification Agent" indicates that the data in question is to be provided to the Volume Notification Agent to which the data relates (and not to other Volume Notification Agents, or Parties, except for BSCCo."</p> <p>Table 3, ANNEX V-1 requires an additional entry to reflect the provision of the new version of the Forward Contract Report to the Relevant Volume Notification Agent.</p>

7.2 Impact on Code Subsidiary Documents

Code Subsidiary Document	Potential Impact of Proposed Modification
BSC Service Descriptions	The ECVAAs Service Description (V2.0) requires amendment to the 'ECVAAs Outputs' table to amend the name of the data flow from '7 Day Credit Report' to 'Forward Contract Report', and to amend the Recipient of the report to include ECVNAs and MVRNAs.
Data Catalogues	The NETA Data File Catalogue (NDFC) requires amendment to include the new variant of the Forward Contract report (E0221) to notification agents (ECVNAs and MVRNAs).

Code Subsidiary Document	Potential Impact of Proposed Modification
Reporting Catalogue	The Reporting Catalogue requires amendment to Section 4.5 'Forward Contract Report' requires amendment to include the new variant of the Forward Contract report (E0221) to notification agents (ECVNAs and MVRNAs).

7.3 Impact on Core Industry Documents

Modification Proposal P66 has no impact on the following Core Industry Documents / supporting arrangements:

Grid Code, Connection Use of System Code (CUSC), Supplemental Agreements, Ancillary Services Agreements, Master Registration Agreement, Data Transfer Services Agreement, British Grid Systems Agreement, Use of Interconnector Agreement, Pooling and Settlement Agreement, Settlement Agreement for Scotland, Distribution Codes, Distribution Use of System Agreements, and Distribution Connection Agreements.

8 IMPACT ON OTHER CONFIGURABLE ITEMS

Item	Potential Impact of Proposed Modification
ECVAA User Requirements Specification (v2.5); and Interface Design Definition (IDD) Part 1 (v3.6)	Require amendment to include the new variant of the Forward Contract Report specific to notification agents.

9 IMPACT ON ELEXON

Area of Business	Potential Impact of Proposed Modification
ELEXON Systems ELEXON Procedures Other (e.g. costs, staffing, etc.)	Depending upon the solution to the cost allocation aspect of the Modification Proposal, there may be an impact on the systems and procedures of the ELEXON Finance Department in terms of development, implementation and operation of the cost recovery mechanism. It is expected that even a simple cost recovery mechanism would increase ELEXON costs, as a consequence of the additional administration and operation, and may require additional resource.

10 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

BSC Agent Contract	Potential Impact of Proposed Modification
Logica (BMRA, CRA, CDCA, SAA, ECVAA, TAA(CVA))	<p>Additional information from the BSC Central Service Agent (namely ECVAA) may be required to support any cost recovery mechanism. Any such additional requirement of the BSC Central Service Agent will have an impact on the contractual arrangements.</p> <p>It should also be noted that where any cost recovery mechanism requires payment prior to release of the information, then a mechanism will be required to be implemented to ensure that the BSC Central Service Agent is aware of the legitimate recipients of the information. This may also require a contractual arrangement to cover the situation where information is made available by the Central Service Agent without the requisite authorisation from ELEXON.</p>
PwC (BSC Auditor, Certification Agent)	<p>The introduction of a new charging mechanism aimed at cost recovery may increase the scope of the BSC Auditor, and this may increase audit costs.</p>

11 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

The Initial Assessment of Modification Proposal P66 'ECVNAs and MVRNAs to Receive ECVAAs Forward Contract Report' indicates that, although the development of the solution for providing the new variant of the Forward Contract Report for notification agents (ECVNAs and MVRNAs) has effectively been completed under Modification Proposal P17 'ECVNAs to receive 7-Day Report' (and will only require minor amendment to take into consideration developments since the identification of the solution), further work is required to identify the solution to the cost allocation aspect of Modification Proposal P66.

On this basis, ELEXON recommends that Modification Proposal P66 'ECVNAs and MVRNAs to Receive ECVAAs Forward Contract Report' be submitted to a two month Assessment Procedure, with the Assessment to be undertaken by the Contract Notification Modification Group and with the Assessment Report submitted to the Panel for consideration at their meeting of 18 April 2002.

It should be noted that a two month period has been requested to allow contingency for external dependencies, such as reconfirmation of Impact Assessments and consultation on the solution. Were the Assessment Procedure to complete earlier, then it is proposed that the Assessment Report be submitted for consideration at the Panel meeting of 14 March 2002.

12 ISSUES

The following issues will need to be considered and addressed in progressing Modification Proposal P66:

- It is expected that the functionality identified as being required to support the development and implementation of Alternative Modification P17 be utilised for Modification Proposal P66. Therefore amendments to the original specification necessitated by any subsequent changes to the baseline are required to be identified and addressed, as are any cost and time implications;
- Assessment of Modification Proposal P66 should ensure that any cost allocation solution is consistent with the Balancing and Settlement Code charging obligations, as set out in Section D 'BSC Cost Recovery and Participation Charges';
- Assessment of Modification Proposal P66 should consider the incentives, on the party Agents utilising the Report, of implementing a cost recovery mechanism;
- During any assessment, views on the apportionment, development, implementation and operational costs should be invited; and
- Assessment of the most appropriate charging methodology / cost allocation solution will require input from the ELEXON Finance Department to ensure that any cost allocation solution can be developed and implemented.

ANNEX 1 – MODIFICATION PROPOSAL

Modification Proposal	MP No: P66 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> ECVNAs and MVRNAs To Receive ECVAA Forward Contract Report	
Submission Date <i>(mandatory by proposer):</i> 18 January 2002	
Description of Proposed Modification <i>(mandatory by proposer):</i> <p>Energy Contract Volume Notification Agents and Meter Volume Reallocation Agents should receive an appropriate version of the Forward Notification Summary, confirming notified volumes received by the ECVAA daily for Settlement Periods before gate closure. The Forward Notification Summary should also be renamed as the Forward Contract Report in order to provide consistency between the BSC and the Code Subsidiary Documents.</p> <p>This Proposal follows P17, which was rejected by the Authority due to the lack of appropriate allocation of Balancing and Settlement charges. Unlike BSC Parties, Party Agents such as ECVNAs and MVRNAs do not contribute to the costs of Balancing and Settlement, and so under P17 would have been receiving additional reports without contributing to the necessary development and operational costs.</p> <p>The Authority suggested that, if adequate provision for these costs were to be made, the Modification would be acceptable. Therefore, the aim of this Proposal is to request that the relevant Modification Group considers and adapts the requirements for charging Parties and/or Party Agents, so that the Code can be modified to make reports such as the Forward Notification Summary available to ECVNAs and MVRNAs.</p>	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> <p>As explained in Modification Proposal P17, ECVNAs and MVRNAs do not receive any confirmation that notifications have been processed correctly other than the standard 'ACKs'. The ability of these Party Agents to receive such confirmation will enable them to manage their own errors and so reduce risk to all Parties and Party Agents involved in Settlement.</p> <p>However, this Proposal also aims to resolve the general issue of allocation of BSC costs with regard to Party Agents, who are not currently required to make any financial contribution to the running of Settlement.</p>	
Impact on Code <i>(optional by proposer):</i> <p>Table 3, Annex V-1 of the BSC describes the receipt of the ECVAA Forward Notification Summary by each Trading Party. This proposal requires a change to the name of this report and the list of recipients to be expanded to include ECVNAs and MVRNAs. Section D, BSC Cost Recovery and Participation Charges, will be also be impacted.</p>	
Impact on Core Industry Documents <i>(optional by proposer):</i> <p>None</p>	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> <p>A new variant of the Forward Contract Report will need to be developed.</p>	

Modification Proposal	MP No: P66 <i>(mandatory by BSCCo)</i>
Impact on other Configurable Items <i>(optional by proposer):</i> The ECVAA Service Description, URS and Part 1 of the IDD will need to be altered to provide for a suitable variant of the ECVAA-I022 Forward Contract Report to be issued to ECVNAs and MVRNAs. The changes will also need to be incorporated into the NETA Data File Catalogue, the Reporting Catalogue and the Communications Requirement Document.	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> Risks associated with Notifications are believed to be having an adverse affect on trading and should be reduced where possible. The solution contained in this Proposal is a relatively simple and cost-effective way of reducing this risk, and alterations to the allocation of BSC costs should be considered in order to implement this change.	
Details of Proposer: Name: Phillip Russell Organisation: TXU UK Ltd. Telephone Number: 01473 555 688 Email Address: phil.russell@txu-europe.com	
Details of Proposer's Representative: Name: Phillip Russell Organisation: TXU UK Ltd. Telephone Number: 01473 555 688 Email Address: phil.russell@txu-europe.com	
Details of Representative's Alternate: Name: Nikki Lea Organisation: TXU UK Ltd Telephone Number: 01473 554 630 Email Address: nikki.lea@txu-europe.com	
Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	