

March 2002

URGENT MODIFICATION REPORT
MODIFICATION PROPOSAL P71-
Transfer of Imbalances caused by
Balancing Services to the
Transmission Company Energy
Account

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

Document Reference	UMR071
Version no.	1.0
Issue	FINAL
Date of Issue	18 March 2002
Reason for Issue	For Authority
	Decision
Author	ELEXON

I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Signature	Change Reference
0.1	12/03/02	Mandi Francis		
0.2	13/03/02	Trading Development		
1.0	18/03/02	Trading Development		

Version	Date	Reviewer	Signature	Responsibility
0.1	12/03/02	Richard Clarke		Trading Strategy
0.1	12/03/02	Justin Andrews		Trading Strategy
0.1	12/03/02	Kris Clapham		ELEXON Legal
0.1	12/03/02	Dorcas Batstone		ELEXON Modifications
0.2	13/03/02	Trading Strategy		
1.0	18/03/02	BSC Panel		
1.0	18/03/02	ELEXON Legal		
1.0	18/03/02	ELEXON Modifications		
1.0	18/03/02	Trading Strategy		

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 AND RECOMMENDATIONS

1.1 Recommendation

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

- **The Proposed Modification P71, as set out in section 5 of this Modification Report, should not be made.**
- **Were the Proposed Modification P71, as set out in section 5 of this Modification Report, to be made, the Implementation Date should be the release date¹ for BSC Systems which first occurs not less than 3 months after the date of the Authority's determination, effective on a Settlement Day basis².**

1.2 Background

Modification Proposal P71 'Transfer of Imbalances Caused by Balancing Services to the Transmission Company Energy Account' (provided in ANNEX 2), was raised by the Transmission Company on 4 March 2002. The Transmission Company requested that Modification Proposal P71 be treated as Urgent on the grounds of efficiency (request provided in ANNEX 3), and this request was granted by the majority of the Panel and confirmed by the Authority, who subsequently agreed the timetable and process to be adopted in relation to Modification Proposal P71.

Modification Proposal P71 has been raised by the Transmission Company in order to propose a prospective implementation of the mechanism proposed under Modification Proposal P34 'Transfer of Imbalances caused by Balancing Services to the Transmission Company Energy Account' (raised by the Transmission Company on 14 August 2001).

The mechanism proposed by Modification Proposal P71 (which is the same as that proposed by Modification Proposal P34) seeks to amend the settlement calculations such that any imbalance caused by the provision of certain balancing (Ancillary) services is transferred from the balancing services provider's Energy Account to the Energy Account of the Transmission Company, thus removing such energy from the consequence of exposure to imbalance charges (Energy Imbalance, Information Imbalance and Non-Delivery Charges).

Modification Proposal P71 requires that the definition of the balancing services to which this mechanism would apply and the methodology for the calculation of the energy volumes associated with the provision of such balancing services, be defined by the Transmission Company and approved by the Authority, with the governance falling outside of the provisions of the Balancing and Settlement Code (the BSC) (proposed to fall under the Connection Use of System Code (CUSC / Transmission Licence)).

Modification Proposal P34 had an extensive Assessment Procedure, (see the associated Assessment Report (MAR03436_20³)). Due to the similarities with Modification Proposal P34 and Modification Proposal P71, this assessment can be utilised for consideration of Modification Proposal P71. The Panel, in considering the Assessment Report for Modification Proposal P34 at their meeting of 14 February

¹ The release dates for the BSC Systems will be in August and December 2002 (although there is no possibility of including this Modification in the August release, as there is insufficient development time), and usually in February, June and November of successive years.

² This means that there will be no impact on Settlement Runs for Settlement Days prior to the Implementation Date.

³ Available on the BSC Website: www.elexon.co.uk/ta/modifications/modsprops/P034/P34P36_AR_v2.pdf

2002, noted that the Pricing Issues Modification Group (PIMG) recommended rejection of Modification Proposal P34 (recommending approval of an Alternative Modification P34) on the grounds that:

- Modification Proposal P34 has a retrospective implementation date; and
- The governance structure proposed by Modification Proposal P34 (i.e. under the CUSC / Transmission Licence) was not supported by the PIMG.

The Panel supported the recommendations of the PIMG and provisionally recommended to the Authority that Modification Proposal P34 be rejected and that an Alternative Modification P34 be recommended for approval (see the draft Modification Report (MR034⁴)). The Alternative Modification P34 places the governance structure under the BSC and has a prospective implementation date. Modification Proposal P71 also has a prospective implementation date, but places the governance under the CUSC / Transmission Licence.

The Panel agreed with the PIMG that placing the governance structure for the methodology of the calculation of the energy volumes deemed to have been delivered by provision of balancing services, and the definition of the balancing services to which such methodology would apply, under the BSC better facilitates the Applicable BSC Objectives, on the grounds that:

- There is a perception of increased transparency of the change control process under the BSC; and
- Subsequent changes to the methodology / applicable balancing services would be required to better facilitate the Applicable BSC objectives.

The Modification Report for Modification Proposal P34 is also to be submitted for consideration at the Panel meeting of 14 March 2002, where the Panel is invited to confirm their provisional recommendations to the Authority.

In order to provide a draft Urgent Modification Report for consideration at the Panel meeting of 14 March 2002, a consultation on Modification Proposal P71 was initiated on 6 March 2002, with responses due 12 March 2002 (thus allowing three and a half Business Days for the consultation). The responses are summarised in Section 7 and provided in full in ANNEX 1 of this Modification Report. Therefore it is intended to ensure that the Final Urgent Modification Report can be submitted to the Authority for decision at the same time as the Modification Reports for Modification Proposal P34 and Modification Proposal P36.

In summary:

- Modification Proposal P71 is the same as Modification Proposal P34 but with a prospective implementation date;
- Implementation costs and timescales are the same as those for Modification Proposal P34, namely £288,000 and a three month lead time for implementation in a BSC Systems Release;
- The issues associated with Modification Proposal P71 have been considered by the Modifications Group for Modification Proposal P34 and the Group recommended that P34 Alternative should be made as Alternative Modification P34:
 - Has a prospective implementation date; and
 - Proposes governance under the BSC (as P34 retrospective and outside BSC under CUSC/ Transmission Licence).

⁴ Available on the BSC Website: www.elexon.co.uk/ta/modifications/modsprops/P034/P34_MR_v0_2.pdf

- The Panel supported the Modification Group view and made provisional recommendation that P34 Alternative should be made;
- The majority of consultation responses do not support P71.

The Panel considered the draft Modification Report at their meeting of 14 March 2002 and:

- Noted the consultation responses;
- Noted that any implementation of Modification Proposal P71 would be incompatible with implementation of either Alternative Modification P34 or Alternative Modification P36 (i.e. Modification Proposal P71 is mutually exclusive with P34 and P36 Alternatives); and
- Reiterated their provisional recommendations and supporting rationale with respect to Modification Proposal P34.

On this basis majority of the Panel agreed that Modification Proposal P71 should not be made.

1.3 Rationale for Recommendations

The Panel considered Modification Proposal P71, and the consultation responses received in respect of this Modification Proposal. The Panel reiterated their rationale with regards to the recommendations they made respecting Modification Proposal P34 (provided below). The Panel noted that the rationale for the recommendations regarding Modification Proposal P34, but excluding those aspects relevant to retrospective implementation, were relevant to Modification Proposal P71, and on this basis, the majority of the Panel agreed to recommend to the Authority that Modification Proposal P71 should not be made.

1.3.1 Rationale for Panel Recommendations on Modification Proposal P34

The Panel agreed with the PIMG view that a balancing service provider should not have exposure to imbalance payments on the energy deemed to have been delivered in the provision of such balancing service. Therefore the Panel supported the principle of the Modification Proposal and agreed with the PIMG belief that such removal of exposure to imbalance for the energy associated with the delivery of balancing services better facilitates achievement of the Applicable BSC Objectives, as set out in the Transmission Licence, Condition C3.

The Panel (majority) supported the PIMG view that placing the definition of the balancing services and the associated methodology for the volume calculation in a framework document to the Code would better, (and continue to better) facilitate achievement of the Applicable BSC Objectives. This rationale was based on the fact that the definition of the balancing services and the associated methodology / calculation of the associated energy volumes could only be amended such that it continues to better facilitate achievement of the Applicable Objectives of the BSC, via a mechanism transparent to BSC Parties.

The Panel noted the implementation and development costs associated with the Proposed Modification P34 and the Alternative Modification P34, namely, (for either the Proposed Modification or the Alternative) £288,000, comprising £193,000 for BSC Agent System development and £95,000 for ELEXON development and implementation within an ELEXON BSC Systems Release Project.

On this basis, the Panel supported the PIMG recommendations and agreed that the Proposed Modification P34 should not be made, on the grounds that it is retrospective, and has a governance structure that falls under the Transmission Licence / CUSC. For the reasons stated above, the Panel

agreed to recommend to the Authority that P34 Alternative Modification should be made, with an Implementation Date of 1 December 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.

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 MODIFICATION PROPOSAL

The history of Modification Proposal P71 is set out in Section 1.2 of this Urgent Modification Report. Given the similarities with Modification Proposal P34 and Modification Proposal P71, the history of Modification Proposal P34 is relevant to Modification Proposal P71. The detailed description of the Assessment Procedure for Modification Proposal P34 is set out in the associated Assessment Report (MAR03436) and Modification Report (MR034).

4 DESCRIPTION OF PROPOSED MODIFICATION

Modification Proposal P71 requires that within two working days, i.e. in time for the Interim Information Settlement Run, the Transmission Company determine the energy volume associated with the provision of balancing services for a BM Unit and Settlement Period. On such determination, the Transmission Company will notify the Settlement Administration Agent (SAA) of the volumes.

These energy volumes will be removed from the Energy Account of the balancing service provider, thus removing them from exposure to the consequences of imbalance, and transferred to the Energy Account of the Transmission Company (which is always cashed out at zero).

The energy volumes associated with the provision of balancing services will be reported into the Balancing Mechanism Reporting Agent (BMRA) for publication on the BMRS (against the associated BM Units), and to the Settlement Administration Agent for use in the settlement calculations.

The methodology for determining the energy volumes associated with the provision of balancing services, and the list of balancing services that this Modification is to apply to, be defined outside of the provisions of the BSC, potentially in a methodology statement under the Connection Use of System Code (CUSC), (under the provisions of the Transmission Licence). An initial draft of the statement is included in ANNEX 2 of the Modification Proposal P34 Assessment Report.

No payments are made for the provision of balancing services via the Balancing Mechanism. All payments for the provision of the balancing services are dealt with outside of the BSC, via the CUSC and / or Ancillary and Other Services Contracts with the Transmission Company.

It should also be noted that balancing services providers can 'opt out' of this process. Where the providers do not wish to have energy volumes attributable to the provision of balancing services

notified into the Balancing Mechanism under this process, the Lead Party of the BM Unit can notify the Transmission Company that this is the case. The Transmission Company will not notify energy volumes attributable to the provision of balancing services into the Balancing Mechanism, for those Parties and / or BM Units who have opted out of this process.

Modification Proposal P71 requires a prospective Implementation Date, with implementation on a Settlement Day basis.

5 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

The changes to the legal text of the Code in the following sections of this Modification Report are based on the current baseline of the Code as at the date of this Report, Version 1.0 (18 March 2002), and are the changes necessary to implement the Proposed Modification only. If the baseline of the Code changes prior to implementation of the Proposed Modification, or if other Modification Proposals are to be implemented at the same time as the Proposed Modification, the legal text may need to be amended.

5.1 Proposed Modification P71: Conformed Version

The following new paragraph 6.4 shall be inserted in Section Q and the existing paragraph 6.4 shall be renumbered as paragraph 6.5:

6.4 Applicable Balancing Services Volumes

6.4.1 In relation to each Settlement Period in a Settlement Day and each BM Unit, the Transmission Company shall send the Applicable Balancing Services Volume Data to:

- (a) the SAA; and
- (b) the BMRA

no later than the second Business Day after such Settlement Day.

6.4.2 Applicable Balancing Services Volume Data shall:

- (a) be expressed in MWh;
- (b) follow the sign conventions set out in paragraph 2.4 of Annex X-2; and
- (c) represent an aggregate net volume of Active Energy for the whole Settlement Period.

6.4.3 The Transmission Company may resubmit to the SAA the Applicable Balancing Services Volume Data in respect of any BM Unit and Settlement Period within a Settlement Day (originally sent under paragraph 6.4.1) at any time prior to the Final Reconciliation Settlement Run for such Settlement Day and the SAA shall correct such data in the Settlement Run following such resubmission.

6.4.4 For the avoidance of doubt, in respect of each Settlement Period and each BM Unit, volumes of Active Energy contained in the Applicable Balancing Services Volume Data sent pursuant to this paragraph 6.4 shall not include or be included in any volumes of Active Energy contained in Acceptance Data in respect thereof.

6.4.5 If the Lead Party notifies the Transmission Company in writing that it does not wish any volumes of Active Energy to be submitted in respect of a BM Unit for which it is Lead Party pursuant to this paragraph 6.4 with effect from an effective date specified in such notice (which date may not be earlier than 5 days after the Transmission Company receives such notice):

- (a) the Transmission Company shall notify BSCCo in writing; and
- (b) the Applicable Balancing Services Volume Data sent by the Transmission Company in respect of that BM Unit shall be set to zero by the Transmission Company in respect of each Settlement Day with effect from the specified effective date until such time as the Lead Party informs the Transmission Company in writing that such notice is to be withdrawn.

6.4.6 The obligations of the Transmission Company to send data under this paragraph 6.4 in respect of Settlement Periods and Settlement Days, and the use of such data in the determination of Trading Charges in respect of Settlement Days in accordance with the provisions of Section T, shall apply in respect of each Settlement Period and Settlement Day from the time when this paragraph 6.4 comes into effect.

The following amendments (as marked up) shall be made in Section T:

1.3.2 Data required from the Transmission Company are:

- (a) Final Physical Notification Data;
- (b) Bid-Offer Data;
- (c) Acceptance Data;
- (d) Balancing Services Adjustment Data; and
- (e) Applicable Balancing Services Volume Data.

4.3.2 In respect of each Settlement Period, for each BM Unit, the Period BM Unit ~~Bid—Offer~~ Balancing Services Volume, will be determined as follows:

$$QBS_{\Omega_{ij}} = \hat{O}^n (QAO_{ij}^n + QAB_{ij}^n) + QAS_{ij}$$

where \hat{O}^n represents the sum over all Bid-Offer Pair numbers for the BM Unit.

4.3.3 In respect of each Settlement Period, for each BM Unit, the Period Expected Metered Volume will be determined as follows:

$$QME_{ij} = FPN_{ij} + QBS_{\Omega_{ij}}$$

4.5.1 In respect of each Settlement Period and each Energy Account, the Credited Energy Volume for each BM Unit to be allocated to the corresponding Energy Account of the Subsidiary Party and of the Lead Party will be determined as follows:

- (a) in the case of the corresponding Energy Account of each Subsidiary Party:

$$QCE_{iaj} = \{(QM_{ij} - QBS_{\Omega_{ij}}) * (QM_{PR_{iaj}}/100) + QMFR_{iaj}\} * TLM_{ij}$$

and values of QCE_{iaj} are then rounded towards zero to the nearest kWh;

- (b) in the case of the corresponding Energy Account of the Lead Party:

$$QCE_{iaj} = (QM_{ij} * TLM_{ij}) - \sum_a QCE_{iaj}$$

where \sum_a represents the sum over all Energy Accounts for Subsidiary Parties of the Lead Party (not including Energy Accounts for the Lead Party itself).

4.6.2 In respect of each Settlement Period, for each Energy Account, the Account Period ~~Bid—Offer~~ Balancing Services Volume will be determined as follows:

$$QABS_{\Omega_{aj}} = \sum_i QBS_{\Omega_{ij}} * TLM_{ij}$$

where \sum_i represents the sum over all BM Units for which such Energy Account is the corresponding Energy Account of the Lead Party.

4.6.3 In respect of each Settlement Period, for each Energy Account, the Account Energy Imbalance Volume will be determined as follows:

$$QAEI_{aj} = QACE_{aj} - QABS_{aj} - QABC_{aj}$$

The following new paragraph 4.6.5 shall be inserted in Section T:

4.6.5 In respect of each Settlement Period, the Total Period Applicable Balancing Services Volume will be determined as follows:

$$TOAS_j = \sum_i QAS_{ij}$$

where \sum_i represents the sum over all BM Units.

The following new data item shall be inserted in Annex V-1, Table 1:

DATA AND RELEVANT SETTLEMENT PERIODS	FREQUENCY	FORMAT	DEFAULT
<u>BM Unit Applicable Balancing Services Volume</u>	<u>Daily (published for all days on Business Days only)</u>	<u>Tabular</u>	<u>None</u>

The following new definitions shall be inserted (alphabetically) in Annex X-1:

"Applicable Balancing Services" means Balancing Services in respect of which the Transmission Company submits or is to submit data pursuant to Section O6.4;

"Applicable Balancing Services Adjustment Data" means the data in respect of a BM Unit and a Settlement Period representing volumes of Active Energy associated with the provision of Applicable Balancing Services as sent by the Transmission Company to the SAA and the BMRA pursuant to Section O6.4;

"Balancing Services" has the meaning given to that term in the Transmission Licence;

The following amendments (as marked up) shall be made in Table X-2 of Annex X-2:

Defined Term	Acronym	Units	Definition/Explanatory Text
Account Period Bid—Offer <u>Balancing Services</u> Volume	QABS O _{aj}	MWh	The quantity determined in accordance with section T 4.6.2 <i>The Account Period Bid—Offer <u>Balancing Services</u> Volume is the sum of the <u>net</u> quantity of accepted Bids and Offers, <u>and the net energy associated with delivery of Applicable Balancing Services</u> from all BM Units for which Energy Account a is the Lead Energy Account in Settlement Period j.</i>
<u>BM Unit Applicable Balancing Services Volume</u>	<u>QAS_{ij}</u>	<u>MWh</u>	<u>In respect of a BM Unit and a Settlement Period, the Applicable Balancing Services Volume Data sent by the Transmission Company pursuant to Section Q6.4.</u>
Period BM Unit Bid—Offer <u>Balancing Services</u> Volume	QBS O _{ij}	MWh	The quantity determined in accordance with section T 4.3.2. <i>The Period BM Unit Bid—Offer <u>Balancing Services</u> Volume is the <u>sum of the net</u> quantity of accepted Bids and Offers <u>and the net quantity of energy associated with delivery of Applicable Balancing Services</u> from BM Unit i in Settlement Period j.</i>
<u>Total Period Applicable Balancing Services Volume</u>	<u>TOAS_j</u>	<u>MWh</u>	<u>The amount determined in accordance with Section T 4.6.5.</u> <i>The <u>Total Period Applicable Balancing Services Volume</u> is the <u>net quantity of energy associated with delivery of Applicable Balancing Services</u> by all BM Units in Settlement Period j.</i>

The following amendments (as marked up) will be made to Table X-3 of Annex X-2:

Acronym	Units	Corresponding Defined Term or Expression
QABS O _{aj}	MWh	Account Period Bid—Offer <u>Balancing Services</u> Volume
<u>QAS_{ij}</u>	<u>MWh</u>	<u>BM Unit Applicable Balancing Services Volume</u>
QBS O _{ij}	MWh	Period BM Unit Bid—Offer <u>Balancing Services</u> Volume
<u>TOAS_j</u>	<u>MWh</u>	<u>Total Period Applicable Balancing Services Volume</u>

5.2 Proposed Modification P71: Clean Version

The following new paragraph 6.4 shall be inserted in Section Q and the existing paragraph 6.4 shall be renumbered as paragraph 6.5:

6.4 Applicable Balancing Services Volumes

6.4.1 In relation to each Settlement Period in a Settlement Day and each BM Unit, the Transmission Company shall send the Applicable Balancing Services Volume Data to:

- (a) the SAA; and
- (b) the BMRA

no later than the second Business Day after such Settlement Day.

6.4.2 Applicable Balancing Services Volume Data shall:

- (a) be expressed in MWh;
- (b) follow the sign conventions set out in paragraph 2.4 of Annex X-2; and
- (c) represent an aggregate net volume of Active Energy for the whole Settlement Period.

6.4.3 The Transmission Company may resubmit to the SAA the Applicable Balancing Services Volume Data in respect of any BM Unit and Settlement Period within a Settlement Day (originally sent under paragraph 6.4.1) at any time prior to the Final Reconciliation Settlement Run for such Settlement Day and the SAA shall correct such data in the Settlement Run following such resubmission.

6.4.4 For the avoidance of doubt, in respect of each Settlement Period and each BM Unit, volumes of Active Energy contained in the Applicable Balancing Services Volume Data sent pursuant to this paragraph 6.4 shall not include or be included in any volumes of Active Energy contained in Acceptance Data in respect thereof.

6.4.5 If the Lead Party notifies the Transmission Company in writing that it does not wish any volumes of Active Energy to be submitted in respect of a BM Unit for which it is Lead Party pursuant to this paragraph 6.4 with effect from an effective date specified in such notice (which date may not be earlier than 5 days after the Transmission Company receives such notice):

- (a) the Transmission Company shall notify BSCCo in writing; and
- (b) the Applicable Balancing Services Volume Data sent by the Transmission Company in respect of that BM Unit shall be set to zero by the Transmission Company in respect of each Settlement Day with effect from the specified effective date until such time as the Lead Party informs the Transmission Company in writing that such notice is to be withdrawn.

6.4.6 The obligations of the Transmission Company to send data under this paragraph 6.4 in respect of Settlement Periods and Settlement Days, and the use of such data in the determination of Trading Charges in respect of Settlement Days in accordance with the provisions of Section T, shall apply in respect of each Settlement Period and Settlement Day from the time when this paragraph 6.4 comes into effect.

Section T paragraph 1.3.2 shall be replaced with the following:

1.3.2 Data required from the Transmission Company are:

- (a) Final Physical Notification Data;
- (b) Bid-Offer Data;
- (c) Acceptance Data;
- (d) Balancing Services Adjustment Data; and
- (e) Applicable Balancing Services Volume Data.

Section T paragraph 4.3.2 shall be replaced with the following:

4.3.2 In respect of each Settlement Period, for each BM Unit, the Period BM Unit Balancing Services Volume, will be determined as follows:

$$QBS_{ij} = \sum^n (QAO_{ij}^n + QAB_{ij}^n) + QAS_{ij}$$

where \sum^n represents the sum over all Bid-Offer Pair numbers for the BM Unit.

Section T paragraph 4.3.3 shall be replaced with the following:

4.3.3 In respect of each Settlement Period, for each BM Unit, the Period Expected Metered Volume will be determined as follows:

$$QME_{ij} = FPN_{ij} + QBS_{ij}$$

Section T paragraph 4.5.1 shall be replaced with the following:

4.5.1 In respect of each Settlement Period and each Energy Account, the Credited Energy Volume for each BM Unit to be allocated to the corresponding Energy Account of the Subsidiary Party and of the Lead Party will be determined as follows:

- (a) in the case of the corresponding Energy Account of each Subsidiary Party:

$$QCE_{iaj} = \{(QM_{ij} - QBS_{ij}) * (QMPR_{iaj}/100) + QMFR_{iaj}\} * TLM_{ij}$$

and values of QCE_{iaj} are then rounded towards zero to the nearest kWh;

- (b) in the case of the corresponding Energy Account of the Lead Party:

$$QCE_{iaj} = (QM_{ij} * TLM_{ij}) - \sum_a QCE_{iaj}$$

where \sum_a represents the sum over all Energy Accounts for Subsidiary Parties of the Lead Party (not including Energy Accounts for the Lead Party itself).

Section T paragraph 4.6.2 shall be replaced with the following:

4.6.2 In respect of each Settlement Period, for each Energy Account, the Account Period Balancing Services Volume will be determined as follows:

$$QABS_{aj} = \sum_i QBS_{ij} * TLM_{ij}$$

where \sum_i represents the sum over all BM Units for which such Energy Account is the corresponding Energy Account of the Lead Party.

Section T paragraph 4.6.3 shall be replaced with the following:

4.6.3 In respect of each Settlement Period, for each Energy Account, the Account Energy Imbalance Volume will be determined as follows:

$$QAEI_{aj} = QACE_{aj} - QABS_{aj} - QABC_{aj}$$

The following new paragraph 4.6.5 shall be inserted in Section T:

4.6.5 In respect of each Settlement Period, the Total Period Applicable Balancing Services Volume will be determined as follows:

$$TQAS_j = \sum_i QAS_{ij}$$

where \sum_i represents the sum over all BM Units.

The following new data item shall be inserted in Annex V-1, Table 1:

DATA AND RELEVANT SETTLEMENT PERIODS	FREQUENCY	FORMAT	DEFAULT
BM Unit Applicable Balancing Services Volume	Daily (published for all days on Business Days only)	Tabular	None

The following new definitions shall be inserted (alphabetically) in Annex X-1:

"**Applicable Balancing Services**" means Balancing Services in respect of which the Transmission Company submits or is to submit data pursuant to Section Q6.4;

"**Applicable Balancing Services Adjustment Data**" means the data in respect of a BM Unit and a Settlement Period representing volumes of Active Energy associated with the provision of Applicable Balancing Services as sent by the Transmission Company to the SAA and the BMRA pursuant to Section Q6.4;

"**Balancing Services**" has the meaning given to that term in the Transmission Licence;

The following defined terms shall be deleted from Table X-2 of Annex X-2:

Defined Term	Acronym	Units	Definition/Explanatory Text
Account Period Bid – Offer Volume	QABO _{aj}	MWh	The quantity determined in accordance with section T 4.6.2

			<i>The Account Period Bid – Offer Volume is the sum of the quantity of accepted Bids and Offers, from all BM Units for which Energy Account a is the Lead Energy Account in Settlement Period j.</i>
Period BM Unit Bid – Offer Volume	QBO _{ij}	MWh	The quantity determined in accordance with section T 4.3.2. <i>The Period BM Unit Bid – Offer Volume is the quantity of accepted Bids and Offers from BM Unit i in Settlement Period j.</i>

The following defined terms shall be inserted (alphabetically) in Table X-2 of Annex X-2:

Defined Term	Acronym	Units	Definition/Explanatory Text
Account Period Balancing Services Volume	QABS _{aj}	MWh	The quantity determined in accordance with section T 4.6.2 <i>The Account Period Balancing Services Volume is the sum of the net quantity of accepted Bids and Offers, and the net energy associated with delivery of Applicable Balancing Services from all BM Units for which Energy Account a is the Lead Energy Account in Settlement Period j.</i>
BM Unit Applicable Balancing Services Volume	QAS _{ij}	MWh	In respect of a BM Unit and a Settlement Period, the Applicable Balancing Services Volume Data sent by the Transmission Company pursuant to Section Q6.4.
Period BM Unit Balancing Services Volume	QBS _{ij}	MWh	The quantity determined in accordance with section T 4.3.2. <i>The Period BM Unit Balancing Services Volume is the sum of the net quantity of accepted Bids and Offers and the net quantity of energy associated with delivery of Applicable Balancing Services from BM Unit i in Settlement Period j.</i>
Total Period Applicable Balancing Services Volume	TQAS _j	MWh	The amount determined in accordance with Section T 4.6.5. <i>The Total Period Applicable Balancing Services Volume is the net quantity of energy associated with delivery of Applicable Balancing Services by all BM Units in Settlement Period j.</i>

The following acronyms shall be deleted from Table X-3 of Annex X-2:

Acronym	Units	Corresponding Defined Term or Expression
QABO _{aj}	MWh	Account Period Bid – Offer Volume
QBO _{ij}	MWh	Period BM Unit Bid – Offer Volume

The following acronyms shall be inserted (alphabetically) in Table X-3 of Annex X-2:

Acronym	Units	Corresponding Defined Term or Expression
QABS _{aj}	MWh	Account Period Balancing Services Volume
QAS _{ij}	MWh	BM Unit Applicable Balancing Services Volume
QBS _{ij}	MWh	Period BM Unit Balancing Services Volume
TQAS _j	MWh	Total Period Applicable Balancing Services Volume

6 ASSESSMENT

The following is a summary of the impacts for Modification Proposal P71 (identical to those identified in the Assessment Report produced by the PIMG for Proposed Modification P34, except for the prospective implementation date).

- The following sections of the Balancing and Settlement Code are impacted:
 - Section Q ‘Balancing Mechanism Activities’ requires amendment to reference the receipt of energy volumes from the Transmission Company;
 - Section T ‘Settlement and Trading Charges’ requires amendment to reflect the settlement calculations; and
 - Section X ‘Definitions and Interpretations’ ANNEX X-1 ‘General Glossary’ and ANNEX X-2 ‘Technical Glossary’ require amendment to include the new definitions required to support this Modification.
- The Code Subsidiary Documentation is impacted in the following ways:
 - The Reporting Catalogue requires amendment to reflect the new interface from the Transmission Company for the provision of the energy volumes and to reflect the amendments to the Settlement Report (all sub-flows – i.e. Transmission Company, ELEXON and BSC Party variants). The Reporting Catalogue also requires amendment to reflect the additional reporting of these energy volumes on the BMRA;
 - The NETA Data File Catalogue (NDFC) requires amendment to reflect the new interface from the Transmission Company for the provision of the energy volumes and to reflect the amendments to the Settlement Report (all sub-flows – i.e. Transmission Company, ELEXON and BSC Party variants);
 - The SAA Service Description requires amendment to reflect receipt of the additional interface from the Transmission Company and the amendments to the settlement calculations; and

- The BMRA Service Description requires amendment to reflect the requirement to receive and report these energy volumes on the BMRA.
- The BSC Systems are impacted in the following ways:
 - SAA is impacted by the requirement to receive the new interface / information, amendments to the settlement calculations and the amendments to the Settlement Report (SAA-I014); and
 - BMRA is impacted by the requirement to receive the new interface / information and then to publish it on the BMRA.
- ELEXON is impacted by the amendments to the settlement calculations and the associated amendments to the Settlement Report (SAA-I014), which have the consequential requirement to amend the ELEXON TOMAS system.
- Parties are impacted by the amendments to the settlement calculations and the associated amendments to the Settlement Report (SAA-I014);
- Party Agents are not impacted by this Modification Proposal; and
- The Transmission Company is impacted in the following ways:
 - The Transmission Company will be required to develop and operate the new interface for calculation and notification of the energy volumes into the BSC Central Service Agent;
 - The Connection Use of System Code (CUSC) requires amendment to reflect the changes to the energy imbalance compensation payments for the delivery of balancing services (CAP011); and
 - The implementation of Modification Proposal P71 may impact the Transmission Company incentive scheme.

Implementation Date

Were the Proposed Modification P71, as set out in section 5 of this Modification Report, to be made, the Implementation Date should be the release date for BSC Systems which first occurs not less than 3 months after the date of the Authority's determination, effective on a Settlement Day basis.

The proposed Implementation Date is intended to reflect the dependency on an Authority decision, and seeks to balance the lead time of impacted parties, with future planned release dates for the BSC Systems. On the basis of a three months lead time, the effect of the proposed date would be as follows:

- An Authority decision by 1 September 2002 would lead to an Implementation Date of 1 December 2002;
- An Authority decision after 1 September 2002, but before the end of October 2002, would lead to an Implementation Date in February 2003; and
- An Authority decision after the end of October 2002, but before the end of February 2003, would lead to an Implementation Date in June 2003.

7 SUMMARY OF REPRESENTATIONS

Fifteen responses (on behalf of 56 Parties and 2 non Parties) were received in response to the consultation on Modification Proposal P71 (provided in full in ANNEX 1 of this Modification Report). It should be noted that the Proposer did not respond to the consultation. Of those responses:

- Five responses (14 Parties) believe that Modification Proposal P71 better facilitates achievement of the Applicable BSC Objectives than the current baseline, however, of these five responses, three (9 Parties) did not support the Modification Proposal and / or did not believe that it offered a complete solution to the issue of exposure to imbalance for balancing services providers;
- Six responses (39 Parties) do not believe that Modification Proposal P71 better facilitates achievement of the Applicable BSC Objectives than the current baseline;
- One response (2 Parties) requested that the Panel consider Modification Proposals P34, P36 and P71 and reach a consistent determination; and
- Three responses (one Party, two non BSC Parties) had 'no comment'.

In general, the rationale for supporting Modification Proposal P71 is that it removes the exposure to imbalance charges for energy deemed to have been delivered in the provision of balancing services. However, as indicated above, the majority of those responses that supported this principle, either did not support Modification Proposal P71, and / or did not believe that Modification Proposal P71 provided a complete solution to this issue.

The comments received in response to the consultation on Modification Proposal P71 are as follows:

- Raising of Modification Proposal P71 before an (Authority) decision has been reached on Modification Proposals P34 and P36 (and their Alternatives) seems to disregard the extensive work involved in assessing these proposals and one response believes that Modification Proposal P71 can be construed as frustrating the efficiency objective (Applicable Objective 3(d)) on the grounds that it frustrates Modifications which have followed due process and are to be forwarded by the Panel to the Authority with recommendations;
- The industry has assessed Modification Proposals P34 and P36 and their Alternatives and has reached an opinion on which Modification best deals with the issue of exposure to imbalance as a consequence of delivery energy associated with balancing services provision and this opinion indicates that Modification Proposal P71 is not the favoured approach (from the third Assessment Consultation undertaken in respect of Modification Proposals P34 and P36 and their Alternatives);
- The governance arrangements proposed for Modification Proposal P71 are generally not supported. Placing the governance for the definition of the applicable balancing services and the methodology for the calculation of the associated energy volumes under the provisions of the Code, would ensure that any subsequent amendments would be assessed against the Applicable BSC Objectives and that the process is transparent to all Parties; and
- Modification Proposal P71 does not fully address the issues associated with the provision of balancing services, and the consequential exposure to imbalance charges for the portion of energy deemed to have been delivered. Modification Proposal P71 does not address payment for the energy delivered in the provision of the balancing service, only the removal of imbalance exposure. Therefore this leaves the providers of Mandatory Frequency Response in a position where their energy is valued at £0 under Modification Proposal P71, and consequently they are no better off than at present, therefore not resolving the issue of encouraging balancing services provision.

- One response states *"If the governance were to be under CUSC, then PIMG considered this inappropriate on the basis of legal advice given to ELEXON. This advice suggested that CUSC was inappropriate for a number of reasons and the PIMG were informed that legal challenge could result under Public Law."* It should be noted, in respect to this point, that the legal advice provided to the Modification Group:
 1. Made no comment regarding legal challenge with regards to placing governance under the CUSC; and
 2. Provided a view of the issues that would need to be considered by the PIMG when determining the most appropriate governance model.

The legal advice is included in the Assessment Report for Modification Proposal P34.

- Another responses states *"P34 Alternative included an Opt Out clause, P34 original, from which P71 appears to have been copied does not – ergo P71 currently makes the position worse for Suppliers and therefore by inference for Demand Side Balancing Service Providers"*. It should be noted that the legal drafting for both Modification Proposal P34 and (therefore) Modification Proposal P71 includes the 'opt out' clause referred to – the proposed new clause Section Q 6.4.5.

8 IMPACT FROM IMPLEMENTATION OF MODIFICATION PROPOSAL P71

The following sections detail the impact on documentation and systems from the implementation of Modification Proposal P71. It should be noted that the impact assessments provided for Modification Proposal P34 have been utilised for Modification Proposal P71.

8.1 The BSC

Modification Proposal P71 impacts the BSC, Sections Q 'Balancing Mechanism Activities', T 'Settlement and Trading Charges', V 'Reporting' and X, ANNEX X-2 'Technical Glossary (as identified in the legal drafting provided in section 5).

8.2 BSC Subsidiary Documents

The amendments to BSC Subsidiary documents required to support Modification Proposal P71 are believed to be limited to amendments to the NETA Data File Catalogue, the Reporting Catalogue, Balancing Mechanism Reporting Agent Service Description and to the Settlement Administration Agent Service Description, as follows:

8.2.1 The NETA Data File Catalogue

The NETA Data File Catalogue requires amendment to reflect the changes to reporting, namely:

- **Section 6.1.5**, to support the amendments to all subflows of the Settlement Report (SAA-I014).
- **Section 6.1.3**, to support the provision of information from the Transmission Company to SAA.
- **Section 6.1.8.1**, to support the reporting requirements of the Modification on the BMRA.

8.2.2 The Reporting Catalogue

The Reporting Catalogue requires amendment to reflect the changes to reporting, namely the amendments to the Settlement Report, and to the data published on the BMRA, as follows:

- **Section 6.1.7.1**, to support the amendments to all subflows of the Settlement Report (SAA-I014).

8.2.3 Service Description for the Balancing Mechanism Reporting Agent

The BMRA Service Description requires amendment to reflect the changes to reporting, namely the amendments to the data published on the BMRA, as follows:

- **Section 6.1.8.4**, to support the reporting requirements of the Modification on the BMRA.

8.2.4 Service Description for the Settlement Administration Agent

The SAA Service Description requires amendment to reflect the requisite changes, namely the amendments to the Settlement Report, and the amendments to the settlement calculations, as follows:

- **Section 6.1.7.2**, to support the implementation of a new interface to provide the Balancing Services energy volumes from the Transmission Company to the SAA / BMRA, the amendments to all subflows of the Settlement Report (SAA-I014) and the amendments to the settlement calculations.

8.3 Impact on BSC Systems

The impacts, costs and timescales provided for the development and implementation of Modification Proposal P71 are the same as for Modification Proposal P34.

With reference to the detail and scope of the Detailed Level Impact Assessments:

- The Impact Assessments were undertaken against the Requirements Specifications for Modification Proposal P34;
- The Detailed Level Impact Assessments provide indicative costs and timescales, and therefore may be subject to change;
- All quoted costs are exclusive of VAT;
- The quoted costs do not provide for the indexation of daily fee rates for the BSC Central Service Agent from 1 April 2002;
- The development and implementation costs include internal systems development and testing, but are exclusive of external testing / testing with external systems; and
- The implementation is specified as being a patch release.

Development and implementation of all changes to support the Modification Proposal (including BMRA Reporting):

- Development and Implementation costs: **£192,800**
- Ongoing Operate and Maintain costs: **£2,249 per month**
- Development Timescales: **9 weeks**

8.4 Impact on Core Industry Documents and Supporting Arrangements

8.4.1 Connection and Use of System Code (CUSC)

The implementation of Modification Proposal P71 has an impact on the CUSC section relevant to the calculation of the volumes and payments associated with the provision of balancing services⁵. The amendments to the CUSC required to support the implementation of Modification Proposal P34 (and therefore Modification Proposal P71) are detailed in CUSC Amendment CAP011.

8.5 Impact on ELEXON

8.5.1 ELEXON Design Authority

Modification Proposal P71 impacts the following Design Authority maintained products:

- **Reporting Catalogue** - estimated 1 man day including review cycle
- **Neta Data File Catalogue** - estimated 2 man days including review cycle
- **Business Process Model** - estimated 2 man days including review cycle

8.5.2 ELEXON BSC Systems Release Programme

Any proposed Implementation Date is dependent on receipt of an Authority decision, and should balance the lead time of impacted parties with future planned release dates for the BSC Systems. On the basis of a three months lead time, the key decision dates are as follows:

- An Authority decision by 1 September 2002 would lead to an Implementation Date of 1 December 2002;
- An Authority decision after 1 September 2002, but before the end of October 2002, would lead to an Implementation Date in February 2003; and
- An Authority decision after the end of October 2002, but before the end of February 2003, would lead to an Implementation Date in June 2003.

In summary:

To include Modification Proposal P71 in an ELEXON BSC Systems Release Programme, with an associated implementation date linked to the date of the Authority decision, would require an additional **133** man days of effort, and would incur project costs of an additional **£80,000**.

These figures and timescales assume the following:

- That there is still room in the release to include the Modification, i.e. the number of additional Modifications approved for implementation has not exceeded the capability of the release; and
- Participant testing is required, and such testing will utilise the participant test environment.

⁵ This interaction is explored in more detail by the Transmission Company in their analysis of Modification Proposals P34 and P36, and their Alternatives (summarised in Section 16 and provided in full in ANNEX 5 of the P34 and P36 Assessment Report) and was discussed by the PIMG in their deliberations on the approach for documenting the balancing services and associated methodology (as detailed in Section 8.4 of the Assessment Report).

8.5.3 ELEXON Trading Operations

High Level Impact Assessment

Modification Proposal P71 will impact operations in the following way:

TOMAS will have to be updated to accommodate the changes to the I014 sub flows 2 and 3. This will have a development and implementation cost associated with it.

Development and Implementation

It is believed that the development and implementation can be run as a mini project within Trading Operations, as such it is likely to entail of the order of up to 30 to 40 man days work⁶ depending upon the option implemented.

In summary, based on an average day rate of £500, the estimate is as follows:

Modification Proposal P71: **£15,000**

It is not believed at this time that there is any other impact on Trading Operations.

8.6 Impact on Parties

The following represents an assessment of the impact on BSC Parties and Party Agents based upon the Consultation and Impact Assessment responses received during the Assessment Procedure for Modification Proposals P34 and P36.

All Parties are impacted by the amendments to the Settlement Report (SAA-I014, subflow 1). However, it may be possible to utilise the parallel implementation approach defined under Modification P8 to delay the impact.

Modification P8 proposes that flow version numbering be implemented within the NETA Central Service Agent. For example, when a report such as the Settlement Report (SAA-I014) changes and the changes are implemented, Parties can determine whether they wish to continue receiving the old version of the report (i.e. without the amendments and therefore reducing the ability to accurately verify their trading charges), or the new, with the amendments. This enables them to determine the timeframes for implementation of an amended interface independently of its development within the Central Services (unlike a 'big bang' approach). However, the impact from the implementation of amendments to the Settlement Report is still likely to be significant.

The Impact Assessments indicate a material impact on Parties, with estimates of implementation timescales ranging from 1 month to 6 months.

⁶ This is indicative only for the purposes of a High Level Impact Assessment.

ANNEX 1 – REPRESENTATIONS

Responses from P71 Urgent Modification Consultation

Consultation issued 6 March 2002

Representations were received from the following parties:

No	Company	File Number	No. of Parties Represented
1.	Siemens	P71_UMR_001	N/a
2.	IMServ	P71_UMR_002	N/a
3.	SEEBOARD	P71_UMR_003	2
4.	British Gas Trading	P71_UMR_004	3
5.	GPU Power UK	P71_UMR_005	1
6.	LE Group	P71_UMR_006	5
7.	Scottish & Southern Energy plc	P71_UMR_007	4
8.	RWE Trading Direct Ltd	P71_UMR_008	1
9.	TXU Europe	P71_UMR_009	21
10.	Edison Mission Energy	P71_UMR_010	1
11.	ScottishPower UK Plc	P71_UMR_011	5
12.	Ineos Chlor	P71_UMR_012	2
13.	Dynegy	P71_UMR_013	1
14.	Powergen	P71_UMR_014	4
15.	Innogy plc	P71_UMR_015	6

P71_UMR_001 – Siemens

No impact for Siemens Metering Datacare (Ruddington - Nottingham).

Regards

Lina

P71_UMR_002 – IMServ

NO IMPACT ON IMSERV EUROPE AS IN HHDC/HHDA/NHHDC/NHHDA/MOA/SVA ROLES

P71_UMR_003 – SEEBOARD

With respect to this consultation:

This proposal is P34 alternative but with different governance arrangements. Given that industry feels P34 alternative better meets BSC objectives asking this question seems superfluous. However, it would seem that by taking this forward we have, in effect, two versions of P34 alternative, with differences only in governance. As modifications need to be treated in isolation we could end up with duplicated modifications with governance in two places. This seems to be counter to BSC objectives due to the

confusion possible. Given this uncertainty we do not feel it is possible to give an unambiguous view on the appropriateness of this modification, due to its undoubted links with P34 alternative.

It brings a further issue as to if the BSC Panel should have allowed this modification to be taken forward. BSC section F allows for such a proposal to be taken forward, but in this case it seems that this decision was not warranted due to potential conflicts with respect to these modifications being treated separately. There is no reasoning within this requested consultation that assists in why this is seen as a necessary modification given the current situation with P34.

If these reports were going through a further iteration at PMIG then these issues could be considered, as P71 and P34 could be combined and a final decision made on governance. Since this modification will be going straight to BSC Panel we would hope that all issues, namely P34 and P36 reports, are taken into account to enable a single way forward to be progressed rather than what seems to be an approach with potential problems.

Dave Morton

SEEBOARD Energy Limited

SEEBOARD Power Networks plc

P71_UMR_004 – British Gas Trading

Thank you for the opportunity of responding to this consultation. This response is on behalf of British Gas Trading Ltd, Centrica King's Lynn Ltd and Centrica Peterborough Ltd. In responding to this consultation we note that there are other BSC modifications and CUSC amendments currently under consideration in respect of this issue.

We support the basic principle underlying this proposal that providers of Balancing Services should not be exposed to imbalance charges on the energy volume supplied, but, we do not support this modification. We are disappointed that NGC have felt it necessary to raise P71 before a decision has been made on P34 and its alternative thereby disregarding the extensive work that was involved in assessing these proposals.

There were two fundamental issues associated with the debate surrounding P34: the issue of retrospection and the governance structure. NGC, after an initial disagreement, concurred with the view of the modification group that it was inappropriate for this modification to be implemented retrospectively. We welcome the fact that this modification proposal is not retrospective.

On the second issue NGC argue that inclusion of the definition of, and methodology for, calculation of Balancing Services volumes in the BSC will change the governance arrangements currently in place. This argument seems perverse considering that this is a proposal to modify the BSC (to transfer imbalances caused by Balancing Services) but part of the proposed modification is that the actual volumes to be transferred (and hence BSC imbalances to be 'protected') are to be subject to documents outside of the BSC. Also, under the current arrangements there is no document detailing how NGC calculate the Energy Volume associated with Balancing Services. Therefore any new document, formed under the Transmission Licence or elsewhere, will impact on the current arrangements. Further, this proposal will change the status quo to some extent as it will add a new term for Applicable Balancing Services that is not in the Code at present. We believe it is appropriate that the methodology behind the calculation of this term is in the BSC. This will facilitate clarity in tracking in energy flows between energy accounts, thus achieving Applicable BSC Objectives c and d.

The underlying concern associated with this modification is that NGC may make changes without proper analysis and due regard to the interests of the industry as a whole. Whilst this may be considered to be overly suspicious it is hard not to feel justified when modifications are raised specifically for the purpose of furthering the transmission company's agenda against the views of the industry. Views, moreover, that have been widely and extensively consulted upon. Furthermore, changes to methodology statements under the transmission licence can only be instigated by the Transmission Company. Other industry players can only influence the content of the statement by lobbying the Authority. This is not an open, transparent process.

Conversely, the governance process surrounding the BSC is detailed and comprehensive. Full impact assessments are carried out and it ensures that all parties are fully aware of the changes and have sufficient opportunity to comment. The flaw in these arrangements, namely that some affected Parties may not be BSC Parties, can easily be overcome by requesting other industry fora to circulate the documents.

We do not support another addition to the many industry Codes and associated statements that are currently in use as all these documents have different and time consuming change processes. We recognise that the Authority has an overarching view and is able to make the correct determination with regards to each document. However, we hope that the Authority will also bear in mind the difficulties the multiple governance processes cause for participants trying to track the process and understand the interactions of all the regimes. We are of the opinion that this modification proposal decreases the transparency surrounding an already opaque provision of Balancing Services and increases the regulatory burden on all industry participants.

BSC modifications must better facilitate the Applicable BSC Objectives and a proposal can only be assessed against the current baseline. Whilst we agree that the principle behind this proposal would act to promote effective competition in the generation and supply of electricity we believe the disadvantage to this and the other Applicable Objectives, should this modification be implemented, outweighs this benefit. Further to this we do not necessarily believe this modification is the best solution overall, particularly if consideration is given to the proposals under consideration in the CUSC forum.

We hope these comments are helpful and should you wish to discuss any of the issues raised further please contact me in the first instance on the number above.

Yours faithfully

Danielle Lane

Transportation Analyst.

P71_UMR_005 – GPU Power UK

Please find that GPU Power UK response to Consultation on Urgent Modification Proposal P71 is 'No Comment'.

Rachael Gardener

Deregulation Control Group &

Distribution Support Office

GPU POWER.NETWORKS (UK) plc

P71_UMR_006 – LE Group

Respondent: Liz Anderson

Representing: London Electricity, South Western Electricity, Jade Power, Sutton Bridge Power and West Burton Ltd

1A. Do you believe that modification Proposal P71 better facilitates achievements of the Applicable BSC Objectives than the current BSC Baseline?

No

1B. What is the rationale for your answer to question 1A.

On the whole P71 will not have any material impact on the mandatory frequency response service - which is the main type of Balancing Service, although we have highlighted before that in some rare extreme scenarios mandatory service providers may be slightly better or worse off via the existing imbalance compensation scheme.

2. Do you have any further comments on the Modification Proposal?

The following vote took place at the last Mod 34/36 meeting;

Additionally the fifth question in the third consultation on Mods 34/36 (issued on 25th January 2002) asked "Please indicate in order you preferred solution by ranking the options in order from 1 - 5 (1 representing High and 5 representing low)?" We include the number of responses which provided an option as their preference (i.e. ranked as '1').

P34 Original - None

P34 Original prospective (precisely the same as P71) - One

P34 Alternative - Three

P36 Original - Two

P36 Alternative - Eight

This means that the industry has already expressed an opinion on which Modification best deals with the issue of being exposed to imbalance prices when providing balancing services. Mod 71 (which is simply a prospective Mod 34) was considered in this process and the results of the vote at the last Mod 34/36 meeting and the third consultation response clearly show that Mod 71 is not an approach favoured by the industry. Thus we can not see why Mod 71 has been issued. It has already been considered in BSC panel due process.

It is our considered opinion that issuing Mod 71 is not in the spirit of the Applicable BSC Objective 3(d) - "promoting efficiency in the implementation and administration of the balancing and settlement arrangements." Indeed Mod 71 can be construed as frustrating modifications that have followed the due process of the BSC and been forwarded by the BSC Panel to the Authority with recommendations.

We consider that Mod 71 does not best deal with the objective that providers of balancing services should not be exposed to imbalance prices when moving away from their contracted energy position to provide such a service, as it is Mod 36A that best deals with this objective. One of the main reasons for this opinion is that mandatory services are not paid for (and thus removed to exposure from imbalance prices) by bid-offer acceptances under Mod 71, but are under Mod 36A. As these services are part of the system balancing actions it follows that their energy element should be treated in the same way as

any other balancing actions, i.e. by bid-offer acceptances. This would better facilitate the Applicable BSC objective 3(c), i.e. promoting effective competition in the generation and supply of electricity.

Additionally we can not support Mod 71 on governance grounds because there is no mention in its proposal on how it will be governed. Without it being known whether the modification sits under either CUSC or the BSC it is not possible for us identify how the framework of the amendment will be implemented. We believe that Mod 36A deals with the governance issue in the appropriate manner as the definition of the balancing services, and the associated methodology for the volume calculation, is in a framework document to the code which would better achieve the Applicable BSC objectives. The rationale for this definition and the associated methodology could only be amended, such that it better facilitates achievement of the Applicable Objectives of the BSC, via a mechanism transparent to BSC Parties.

Finally please note that we believe that Mod 36A better facilitates the same Applicable BSC objective than Mod 36 because it enables parties who are not the Lead party of the associated BM unit, and/or, are not actively participating in the Balancing Mechanism to provide non-mandatory services without unduly being exposed to imbalancing consequences.

Yours Sincerely

Liz Anderson

General Manager, Energy Strategy and Regulation

P71_UMR_007 – Scottish & Southern Energy plc

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

In relation to the Urgent Modification Consultation on Modification Proposal P71 contained in your note of 6th March 2002, and in view of the linkage with P34, our comments and answers to the three questions listed are as follows:-

1A. Do you believe that Modification Proposal P71 better facilitates achievement of the Applicable BSC Objectives than the current BSC Baseline?

Yes, we believe that this Modification Proposal P71 does better facilitate the achievement of the Applicable BSC Objectives;

1B. What is the rationale for your answer to question 1A?

For the reasons already indicated for Modification Proposal P 34.

2. Do you have any further comments on the Modification Proposal:

We have no further comments to make at this time on Modification Proposal P71.

Regards

Garth Graham

Scottish & Southern Energy plc

P71_UMR_008 – RWE Trading Direct Ltd

RWE Trading Direct Limited response to P71 – “Transfer of Imbalances caused by Balancing Services to the Transmission Company Energy Account”

Thank you for the opportunity to submit our views on this modification

Respondent: RWE Trading Direct Limited		
1A	Do you believe that Modification Proposal P71 better facilitates achievement of the Applicable BSC Objectives than the current BSC Baseline?	Yes
1B	What is the rationale for your answer to question 1A	
Essentially all P71 achieves is to remove the need for a compensation payment for providing Balancing Services currently provided for under CUSC. The inclusion of all Balancing Service providers does allow Demand Side providers and others not covered under the current CUSC procedures also to avoid imbalance charges. This allows the costs of providing Balancing Services to be capped at the cost of the energy. However as the provision of Balancing Services by Demand Side Providers results in their supplier receiving System Sell Price (SSP) the receipt of SSP currently provides a reduction in the cost of providing Balancing Services. Unless SSP outturns on average negative then P71 would lead to additional costs for the Demand Side Service Providers. The Legal text as drafted for P34 and therefore for P71 does include an opt-out clause and we would expect this to be used by all parties supplying Demand Side Providers of Balancing Services in order to retain the status quo.		
2	Do you have any further comments on the Modification proposal?	Yes
A modification which only removes the imbalance charge whilst retaining the cost of the energy does not reduce the costs of providers in supplying Balancing Services especially for those participants whose energy costs are not reimbursed under the CUSC.		

Mark Bailey

Special Markets Director

P71_UMR_009 – TXU Europe

21 TXU BSC Parties

We do not believe that the proposed modification better achieves the relevant objectives.

The reason for this view is that in respect of Standing Reserve the Supplier (Lead Party) of the BM Unit which contains the customer site at which such service is provided will still be adversely affected by the imbalance between what they assumed the site would consume and what the customer actually takes as the reserve contract is called within the Gate Closure period. This is because the Supplier will have purchased the anticipated customer demand ahead of Gate Closure and will not, in the event sell that energy to the customer. This happens because customer contracts are based on metered quantities not fixed quantities.

The Modification has the same practical effect as capping SSP at zero – when SSP was frequently negative this option was probably helpful, but now that SSP is predominantly positive we would expect

Suppliers to “opt-out” anyway. This brings us on to the final quirk – whereas P34 Alternative included an Opt Out clause, P34 original, from which P71 appears to have been copied does not – ergo P71 currently makes the position worse for Suppliers and therefore by inference for Demand Side Balancing Service Providers.

Consequently we doubt that the proposal will make any significant difference to the willingness of Suppliers to register demand sites which provide Standing Reserve to NGC.

For the reasons that were discussed during the P34 Assessment we do not believe that the BSC objectives can be better achieved by having the governance arrangements for the decision as to which Balancing Service the proposal would apply to and the volume calculation methodology performed pursuant to NGC’s Licence and the CUSC.

Philip Russell

12/03/2002

P71_UMR_010 – Edison Mission Energy

1A. Do you believe that Modification Proposal P71 better facilitates achievement of the Applicable BSC Objectives than the current BSC Baseline?

No we do not.

1B. What is the rationale for your answer to question 1A?

P71 has two main problems

- a) Governance of the calculation of the volume that is 'put through' P71 is outside the BSC. The lack of transparent governance is a serious problem with this modification, and results in it not being able to establish if it meets the BSC objectives.
- b) P71 leaves the question of the payment for energy delivered as a result of providing services unanswered. P36 Alternative is much better than P71 in that it solves the energy payment problem for BM participants but allows P34 Alternative to be used for non-BM participants.

2. Do you have any further comments on the Modification Proposal:

P34 Alternative (although not as good as P36) we believe would be far superior to P71, as at least the governance issue would be resolved.

Simon F Lord

Ancillary Services Manager

Short Term Operations, Edison Mission Energy

P71_UMR_011 – Scottish Power UK Plc

P71: Consultation Response

With reference to the above, please find below our response to the consultation questions: -

1A Do you believe that Modification Proposal P71 better facilitates achievement of the Applicable BSC objectives than the current BSC baseline?

Answer – Yes.

1B What is the rationale for the answer to question 1A?

Answer - P71 seeks to remove the potential imbalance risks currently encountered by the parties providing balancing (Ancillary) services, thus promoting competition by encouraging more participants to enter the balancing services market.

2 Do you have any further comments on the Modification Proposal?

Answer - Notwithstanding our comments to 1B above, P71 is essentially the original P34 modification with a prospective implementation date. We rejected P34 original because it did not propose a solution in respect of the imbalance charges of Balancing Services providers, which was under the governance of the BSC. It is, therefore, our view that P71 does not offer such a solution either and that P36 Alternative, which we have consistently supported, better achieves the objectives of the BSC than P71. We urge the Panel to recommend acceptance of P36 Alternative and rejection of P71.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours Sincerely,

Man Kwong Liu

Calanais Ltd.

For and on behalf of: - Scottish Power UK Plc.; ScottishPower Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.

P71_UMR_012 – Ineos Chlor

Ineos Chlor Energy Limited and ICICP

1A. Do you believe that Modification Proposal P71 better facilitates achievement of the Applicable BSC Objectives than the current BSC Baseline?

Yes

1B. What is the rationale for your answer to question 1A?

Providers of Ancillary Services/Frequency response create an energy imbalance in the account of their supplier. In providing services that are essential to the operation of the network, it seems entirely inappropriate to penalize either the providing party, or their supplier for this. P71 partly addresses this by effectively setting the imbalance price at £0. If System Sell Price is positive, this will further reduce the revenue to the supplier (since they will no longer receive SSP), however it provides a mechanism to avoid large negative SSP's.

On this basis, the ability to manage risk through P71 is useful. P71 should be optional, and parties should have the option to "opt out", keeping the risk and any potential revenue.

2. Do you have any further comments on the Modification Proposal:

We believe that NGC should be purchasing this energy at a fair market price, rather than £0. We believe that the energy should be transacted at an appropriate market for this price, and suggest the Scottish Administered Price for the relevant half hour.

This compensates suppliers fully for the loss of the energy at an appropriate price.

P71_UMR_013 – Dynegy

MODIFICATION PROPOSAL P71: Transfer of imbalances caused by Balancing Services to the Transmission Company Energy Account

After consideration of the above proposal, I submit Dynegy's responses to the consultation questions dated 6 March, 2002:

1A. Dynegy agrees that modification proposal P71 better facilitates achievement of the Applicable BSC Objectives than the current BSC Baseline.

1B. Modification proposal P71 is similar in all respects to modification proposal P34 Alternate, with the exception of governance. Dynegy supports the principle of both, as they improve the efficient, economic, and co-ordinated operation by NGC of the Transmission System.

2. In consideration of the governance of imbalances caused by Balancing Services, Dynegy maintains that the most transparent and hence, desirable, solution is provided by modification P34 Alternate.

Sarah Maud

Power Regulatory Analyst

P71_UMR_014 – Powergen

Please find Powergen's response to the P71 consultation detailed below.

Powergen makes this response on behalf of itself and the following BSC Parties, Powergen Retail Limited, Diamond Power Generation Limited, and Cottam Development Centre Limited.

Questions

1A - Do you believe that Modification Proposal P71 better facilitates achievement of the Applicable BSC Objectives than the current BSC Baseline?

Powergen response – Qualified Yes but see comments to questions below.

1B – What is the rationale for your answer to question 1A

Implementation of P71 will better meet the applicable BSC objectives to the extent that it will remove the energy volume imbalance risk to providers of balancing services.

However, it still remains a partial solution as it fails to address concerns regarding valuing the energy and therefore a price risk will remain for service providers. In addition a number of governance issues will remain. Please see our response to question 2 below for further details.

2. Do you have any further comments on the Modification Proposal

It has been widely acknowledged that the arrangements that govern the provision of balancing services have been inadequate. We believe that progress should be made towards a competitive market for such services as soon as is practicable.

As we have stated above, we accept that P71 (coupled with CAP001) is an improvement on the status quo, but implementing this proposal would leave fundamental issues remaining, such as those concerning governance and pricing of the energy provided. It is for these latter reasons that we believe that in the absence of a true market for frequency response that P36 Alternative is the most appropriate solution for addressing all the issues regarding imbalance exposure, governance and value of the energy. These arguments are detailed in the P34 and P36 Modification Group reports.

In its decision document for CAP001, Ofgem “considers that the provision of mandatory services should be remunerated according to the costs incurred in the provision of the service”. We believe that the cost reflective statement as defined in the CUSC relates to the capability of providing the service and not the energy provided itself. We continue to believe that it is inappropriate to discriminate on the value of the energy provided by manually despatched plant (BOAs) and automatically despatched plant (frequency response). This is an arbitrary distinction as both provide system support energy but it is only the time at which despatch occurs that is different.

We feel that in the absence of a competitive frequency response market, the only way of ensuring that the energy is appropriately valued is to use BOAs whereby the generator is able to reflect changing costs in real time. Although the imbalance volume risk would be solved by implementing P71, a price risk to the provider will remain if the provider is unable to vary the energy costs as and when required.

Regards

C A Price, Strategy & Regulation

P71_UMR_015 – Innogy plc

Innogy's comments on P71 Urgent Modification Consultation on behalf of Innogy plc, npower Limited, Innogy Cogen Trading Limited, npower Direct Limited, npower Northern Limited, npower Yorkshire Limited

Introduction

1. Modification Proposal P71 was proposed by NGC following the rejection of its request to remove the retrospective element of P34. Other than removing the retrospective element of P34, P71 is identical to P34. Since P34 has been through a number of consultations, P71 has been granted Urgent status on the grounds that it is identical to P34 in all but one respect.
2. During the discussions surrounding P34 in the PIMG, a number of issues were highlighted that led to the development of an Alternative Proposal, P34A. This alternative removed the retrospective element of P34, suggested codification of the methodologies under the BSC and removed references to the testing of Balancing Services such as Black Start.
3. It would be reasonable to assume that were P71 to be put to the PIMG, the same alternative would be developed and rejection of P71 would be recommended. For this reason, if the view of the PIMG is supported by the Panel, we trust that the Panel will recommend rejection of P71.

P71

4. In response to questions 1A and 1B of the consultation, we do not support the implementation of P71 for the reasons set out in our response to P34 and P34A and for reasons raised by the PIMG when considering P34. However, it is worth reiterating some of these points.
5. P71 is in itself silent on the governance of the calculations of energy volumes being allocated. The only reference to the CUSC or Transmission Licence comes in the consultation document. Without formalising the governance, P71 leaves this element entirely open.
6. If the governance were to be under CUSC, then PIMG considered this inappropriate on the basis of legal advice given to ELEXON. This advice suggested that CUSC was inappropriate for a number of reasons and the PIMG were informed that legal challenge could result under Public Law.
7. It is not possible to test the volume calculations against the BSC objectives if they reside outside the BSC. For this reason, we believe that the proposal as submitted can not be said to better meet the objectives.
8. By using CUSC as a basis for notifying expected volumes, CUSC would become a contract for physical delivery of energy. This change in the nature of CUSC is inconsistent with its purpose.
9. Ignoring the pricing of delivered energy is to treat energy differently depending on whether it is delivered automatically as required by NGC or by instruction by the acceptance of Bids or Offers. However, implementation of P71 would treat any *deviation* from the expected volume in exactly the same way as though the energy had been bought through the acceptance of Bids or Offers.
10. The assumption underpinning P71 is that the volume calculation will result in a provider no longer having any imbalance exposure. This is not the case. As yet, no methodology has been developed that would accurately reflect the variations in output delivered when providing Response.
11. Unless the delivered energy is properly valued and the volume correctly calculated, then providers will be left with price and volume risk that will result in increased reluctance to provide these services thus positively frustrating the BSC objectives. Although P71 claims to address the concerns of providers, our view is that it will in fact exacerbate these concerns, particularly with regard to mandatory Frequency Response.

Summary

12. We do not believe that the calculation of the allocated volumes should reside completely outside the governance of the BSC. This view is backed by the legal advice received by ELEXON
13. P71 would reduce the willingness of generators to provide mandatory Frequency Response. Significant costs to the providers could be incurred arising from inaccuracies in the volume calculation and deficiencies in the payments for the energy.
14. Mandatory Frequency Response accounts for a very large proportion of automatically delivered balancing service energy. For this reason, if P71 does not properly address issues concerning the provision of Response, then any improvements that may be brought about for other services will be more than negated by increasing the deficiencies in the arrangements for the provision of Frequency Response.

Conclusion

15. Innogy does not support P71 as in our view it does not better facilitate the BSC objectives. Indeed, by placing the methodology outside the BSC, how can it be judged against the relevant objectives?

16. P71 will transfer the payment for energy (produced as an automatic response to frequency) from the BSC to the CUSC and thus treat it differently to all other balancing energy.
17. Generally we are concerned by the change in the nature of CUSC that would result from the implementation of P71. We do not believe that the intention of CUSC was to become a contract for the physical delivery of energy. In accordance with the pre-NETA ASAs the CUSC should only be concerned with the dynamic associated with the delivery of energy when Frequency Responsive, and not the energy itself.
18. Far from better meeting the BSC Objectives P71 would appear to frustrate competition in the generation of electricity, the efficient, economic and co-ordinated operation by NGC of the transmission system, and prevent NGC in the efficient discharge of its Licence obligations.

ANNEX 2 – MODIFICATION PROPOSAL P71

Modification Proposal	MP No: 71 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Transfer of imbalances caused by Balancing Services to the Transmission Company Energy Account	
Submission Date <i>(mandatory by proposer):</i> 4 March 2002	
Description of Proposed Modification <i>(mandatory by proposer):</i> To modify the calculation of Credited Energy Volume (QCE _{iaj}) such that the imbalance caused by the delivery of Balancing (Ancillary) Services is transferred from the provider's energy account to the Transmission Company's energy account.	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> <p>Certain Balancing Services, required by the System Operator for economic operation of the Transmission System (notably Response and Standing Reserve) and the testing of other Balancing Service (such as Black Start), result in the provider's energy account (or their supplier's) being exposed to imbalance charges. Imbalance charges are designed to reflect the cost of being out of balance. To the extent that the imbalance is as a result of delivering balancing services, it is inappropriate to charge imbalance prices to parties that have assisted in system balancing.</p> <p>Risk of exposure to high imbalance charges is making service providers (in particular, smaller demand side providers) reluctant to provide services, and some services are being withdrawn. The loss of these services will result in the Transmission Company having to use more expensive service providers; this will increase the overall cost of system balancing, and potentially reduce system security.</p> <p>The Transmission Company's energy account is not exposed to imbalance charges, and this is appropriate for services that assist in the balancing of the system.</p>	
Impact on Code <i>(optional by proposer):</i> We envisage a change as identified in the legal drafting for P34 (original) without the retrospective element.	
Impact on Core Industry Documents <i>(optional by proposer):</i> None envisaged.	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> As identified for P34.	
Impact on other Configurable Items <i>(optional by proposer):</i> <p>National Grid will need to calculate and inform the SAA the volume (if any) of energy allocated to each BMU for Balancing Services.</p> <p>National Grid will need to publish a methodology by which the volume of energy allocated to a BMU for balancing services is allocated.</p>	

Modification Proposal	MP No: 71 <i>(mandatory by BSCCo)</i>
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> This proposal will reduce the prices and increase the availability of Balancing Services (required to operate the system). This will assist the Transmission Company in meeting its objective of "the efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System".	
Details of Proposer: Name: Nicholas Sillito Organisation: National Grid Telephone Number: 024 7642 3082 Email Address: nick.sillito@uk.ngrid.com	
Details of Proposer's Representative: Name: Nicholas Sillito Organisation: National Grid Telephone Number: 024 7642 3082 Email Address: nick.sillito@uk.ngrid.com	
Details of Representative's Alternate: Name: John Greasley Organisation: National Grid Telephone Number: 024 7642 3190 Email Address: john.greasley@uk.ngrid.com	
Attachments: YES If Yes, Title and No. of Pages of Each Attachment: Proposal to transfer energy imbalances resulting from the delivery of Balancing Services to the Transmission Company. Paper by National Grid (3 pages).	

Proposal to Transfer Energy Imbalances Resulting from the Delivery of Balancing Services to the Transmission Company

Paper by National Grid

Introduction

National Grid contracts with various parties for the provision of Balancing Services such as response, reserve and black start. These services are essential to allow National Grid to balance the system. The delivery of these services (or tests required to show service capability) can result in the provider generating or consuming different volumes of energy than they had planned or contracted for. These imbalances result in providers (or their suppliers) incurring an imbalance charge. The imbalance charge was designed to reflect the cost imposed on the system by a user not meeting their contracted position. It seems inappropriate to apply the charge to "imbalances" that assist the balancing of the system. Currently imbalance charges present an economic deterrent to provide Balancing Services, and hence reduce the efficiency by which the Transmission Company can balance the system.

This paper considers the Balancing Services that cause imbalance, and looks at the impact of imbalance charges on service providers and the economic provision of Balancing Services. It concludes that transferring the energy associated with Balancing Services to the Transmission Company is the most effective solution, as this energy is not subject to imbalance charges.

Delivery of Balancing Services

The delivery of the following Balancing Services result in the provider being potentially out of balance:

- (i) Frequency Response (both mandatory and commercial);
- (ii) Standing Reserve from providers not participating in the BM; and
- (iii) Tests witnessed by National Grid of service capability (notably Black Start and governor tests for response capability).

There are two reasons why it may not be possible to give Bid Offer Acceptances:

- (i) Smaller providers, especially demand side providers, do not wish to take on the overhead of becoming a BSC signatory or operating and maintaining a BMU; and
- (ii) The volume of energy associated with a Balancing Service (notably response) is not known in advance, and the price of the energy agreed for the Balancing Service may not be equal to the Bid Offer price.

Consequences of Charging Imbalance for the Delivery of Balancing Services

Where Balancing Services result in the provider moving away from their contracted energy position without, for the reasons discussed previously, receiving a bid offer acceptance, they (or their supplier) are exposed to imbalance prices, which historically have been extremely volatile. This has had the following consequences:

- (i) Due to the uncertainty of imbalance prices, the provider increases the service price to mitigate the risk; or

- (ii) Where the provider finds the risk unacceptable, the service is withdrawn. This results in the Transmission Company having to use more expensive services and increases the cost of balancing the system. In addition, extensive withdrawal of services would reduce the level of system security.

Currently, Grid Code mandatory response providers receive a refund of the imbalance payments they are expected to incur as a result of deviation from their expected output (FPN plus bid offer acceptances). This is undesirable for the following reasons:

- (i) Where a generator's FPN position does not equal their contracted energy position, refunding their imbalance exposure calculated against FPN position (rather than the contract position) can lead to perverse incentives.
- (ii) The incentive on the provider to deliver the service is reduced. There is no imbalance exposure as a result of failing to deliver the service, although compensation is still received; and
- (iii) Providers have expressed serious concerns with the compensation method as their exposure to SSP and SBP cannot be totally removed.

In summary, the current position is increasing the cost of balancing the system, resulting in the loss of services essential to balance the system and can reduce the incentive on providers to deliver the service.

Proposal

One of the design principles under NETA was that users paid the cost they imposed on the system resulting from their imbalance. This led to the development of dual imbalance prices to reflect both the residual benefit of a party taking less energy than their contracted position (System Sell Price, SSP), and the cost of taking additional energy beyond their contracted position (System Buy Price, SBP).

The delivery of Balancing Services assists the Transmission Company to balance the system and does not impose costs on the system. Therefore, we propose that the energy associated with the delivery of Balancing Services is transferred from the providers' (or their suppliers') account into the Transmission Company's energy account which is not exposed to imbalance charges. The Transmission Company would pay for this energy in accordance with the Balancing Services contract. The adjustment volume would be calculated post event by the Transmission Company, using an agreed methodology. This is analogous to the mechanism currently used for interconnectors, where if the transfer on an interconnector is varied for the purposes of balancing the system, Interconnector Users' energy accounts are unaffected.

We expect this proposal to have the following impacts:

- (i) A greater availability of Balancing Services, particularly from the demand side, as providers would no longer be exposed to imbalance price risk;
- (ii) Failure to deliver firm Balancing Services (notably response and reserve) will expose providers (or their suppliers) to imbalance charges. This will correctly reflect onto the provider the cost of the failure to deliver the energy element of the service; and
- (iii) The removal of imbalance charges and imbalance refunds will reduce the cost of providing Balancing Services. This will reduce the overall cost of system balancing, leading to greater market efficiency.

Recommendation

The transfer of Balancing Services' energy to the Transmission Company will remove imbalance exposure from the provision of Balancing Services and should lead to an overall cost reduction. We therefore propose that the BSC is modified to allow energy associated with Balancing Services to be transferred to the Transmission Company. This should result in lower prices and greater service availability (due to reduced risk) for Balancing Services, leading to an overall reduction in the cost of balancing the system.

ANNEX 3 – PROPOSER’S REQUEST FOR URGENCY

Date: 04 March 2002

**Operations and
Trading**

**The National Grid
Company plc**

Mr G Forrester
BSC Panel Secretary
Elexon
Third Floor
1 Triton Square
London
NW1 3DX

**National Grid House
Kirby Corner Road
Coventry
CV4 8JY**

**Tel No: 024 7642 3082
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Dear Gareth,

BSC MODIFICATION PROPOSAL

I attach a modification proposal, "Transfer of imbalances caused by Balancing Services to the Transmission Company Energy Account" and the supporting paper. This proposal is similar to P34, however this new proposal would allow for prospective implementation.

We believe that this issues raised in this proposal have already been considered in the P34 assessment procedure. Therefore, in accordance with paragraph F 2.9.1 of the BSC, the Transmission Company recommends to the Panel Chairman that the proposal be granted urgent status. This recommendation is on the grounds of efficiency, as it would allow the Authority to consider this proposal at the same time as P34 and P36.

Yours sincerely,

Nicholas Sillito.