

December 2001

**MODIFICATION REPORT  
MODIFICATION PROPOSAL P47 –  
Termination Process for ECVNA and  
MVRNA Authorisations**

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

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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 AND RECOMMENDATIONS

### 1.1 Recommendation

Modification P47 seeks to address a minor inconsistency between the Code and the Code Subsidiary Documentation (namely the ECVAA Service Description and BSCP 71 'ECVNA and MVRNA Registration, Authorisation and Termination'), in the area of Energy Contract Volume Notification Agent (ECVNA) and Metered Volume Reallocation Notification Agent (MVRNA) Authorisation Termination Requests.

On the basis of the analysis and consultation undertaken in respect of this Modification Proposal, and the resultant findings of this report, the Panel recommends to the Authority that:

- **The Modification, as set out in Section 4 and 6 of this Report, be rejected.**

### 1.2 Background

Panel paper 27/010 ('Minor Inconsistency in the Termination Process for ECVNA and MVRNA Authorisations' (ANNEX 2)) was presented to the Panel meeting of 30 July 2001, detailing the inconsistency between the Code and the Energy Contract Volume Aggregation Agent (ECVAA) system functionality and documentation, and Code Subsidiary documentation. The paper invited the Panel to raise a Modification to the Code to remove the inconsistency, and the Panel agreed to raise such Modification (see the extract of the Panel 33 Headline Report in ANNEX 3).

Modification Proposal P47 was consequently submitted on 24<sup>th</sup> October 2001 and was raised under the provisions of the Balancing and Settlement Code (the Code), Section F 2.1.1 (d) i) "*on the recommendation of BSCCo in accordance with Section C3.8.8*"<sup>1</sup> which allows the Panel to raise a Modification if they believe such Modification better facilitates achievement of the Applicable Objectives, as defined in the Transmission Licence Condition 3C, paragraph (3).

The Modification Proposal seeks to address an inconsistency between the Code and the operational practice of the ECVAA system (which is supported by the Code Subsidiary Documentation). An interpretation of the relevant sections (Section P 2.2.2 and 3.2.2) of the Code requires that ECVNA and MVRNA Authorisation Termination Requests become effective on their receipt by the ECVAA. However, operationally the ECVAA requires 1 calendar day notice to ensure that the Notification Agents (ECVNAs and MVRNAs) Authorisations are terminated for complete Settlement Days. The one calendar day requirement of ECVAA is supported by the associated BSC Procedure (BSCP 71 'ECVNA and MVRNA Registration, Authorisation and Termination') and the ECVAA system documentation and ECVAA Service Description.

Under the current version of the Code, an Authorisation termination submitted to the ECVAA will become effective when received by the ECVAA, it is therefore possible that an Authorisation termination request can be received and become effective on the same calendar day and hence allow partial day terminations. Under the current arrangements the ECVAA is required to process Authorisations and Notifications within 60 and 15 minutes respectively. In certain circumstance this may introduce grounds for disputes.

The current functionality of ECVAA Systems do not support an Authorisation termination request becoming effect on the same day as it has been received by the ECVAA. To implement this requirement

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<sup>1</sup> It should be noted that the Panel originally agreed to raise the Modification under the provisions of Section F 2.1.1 (d)(iv) of the Code, which allows the Panel to raise a Modification to amend minor inconsistencies in the Code (as documented in paper 27/010). However, this reference was amended at the request of the Panel, as the Panel intended that this Modification be raised under the grounds of efficiency in the implementation and administration of the balancing and settlement arrangements.

in the ECVAA system will require a software change, and an initial estimate (obtained via a High Level Impact Assessment by the BSC Central Service Agent) indicates that the development and implementation costs will be in the region of £40,000 to £60,000.

The initial assessment of Modification Proposal P47 identified that the only potential area of impact is the textual amendment to the Code Section P 2.2.2 and 3.2.2.

The Panel, at their meeting of 13 December 2001, considered the consultation responses made in respect of this Modification Proposal and noted that the majority of respondents were not supportive of the initial Panel recommendation to the Authority that this Modification Proposal be approved. The Panel amended their initial recommendation and agreed to recommend to the Authority that Modification Proposal P47 be rejected.

### **1.3 Rationale for Recommendations**

At their meeting of 15 November 2001, the Panel initially concluded that Modification P47 would better facilitate the Applicable BSC Objectives as set out in the Transmission Licence. In particular, it would meet Objective 3C (3) (d) 'promoting efficiency in the implementation and administration of the balancing and settlement arrangements'. The Modification negates the requirement to incur the development and implementation costs for amending the ECVAA system to support within day terminations. Additionally it would remove the potential increase in ELEXON costs from administering trading disputes that may arise as a result of the differing service levels for processing Authorisation Termination Requests (60 minutes) and Notifications (15 minutes).

The consultation responses to the draft Modification report were considered by the Panel at their meeting of 13 December 2001. The majority of responses disagreed with the initial Panel recommendation to the Authority to approve the Modification Proposal. The responses cited the events surrounding the party default process (not the credit default process) as a reason for requiring immediate termination of notification agent Authorisations. Furthermore comments indicated that the costs of implementation and development to amend the ECVAA system could be outweighed by the benefit to parties of enabling Authorisations to be terminated on receipt of the request, without the requirement for one calendar days notice.

The Panel noted that if the Modification Proposal were to be rejected, then a Change Proposal would have to be raised by ELEXON to amend the ECVAA system to accord with the Code, (and that no subsequent Modification Proposal need be raised).

Therefore, in light of both the concerns raised in the consultation responses, and the majority view of responses that the Modification Proposal should be rejected, the Panel agreed to amend their initial recommendation, and agreed to recommend to the Authority that Modification Proposal P47 be rejected.

## 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 (the Code). The Code 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 Code.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC website, at [www.elexon.co.uk](http://www.elexon.co.uk)

### **3 PURPOSE AND SCOPE OF THE REPORT**

BSC Section F sets out the procedures for progressing proposals to amend the Code (known as 'Modification Proposals'). These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications.

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

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

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

## 4 DESCRIPTION OF PROPOSED MODIFICATION

### 4.1 Description of the Inconsistency the Modification Proposal Seeks to Address

The following is an extract from the Panel Paper 27/010 'Minor Inconsistency in the Termination Process for ECVNA and MVRNA Authorisations':

The process to submit an Authorisation Termination Request is covered under the Code Section P 'Energy Contract Volumes and Metered Volume Reallocations', BSCP71 'ECVNA and MVRNA Registration, Authorisation and Termination' and the ECVAA Service Description (Supported by the ECVAA User Requirements Specification).

#### **The Balancing and Settlement Code**

The Code defined process is equivalent for both ECVNA and MVRNA Authorisation terminations and states that the termination notice is given in accordance with BSCP71 and becomes effective when received by the ECVAA:

*"Code P 2.2.2 An ECVNA Authorisation may be terminated by notice, given in accordance with BSCP 71, by either of the Relevant Contract Parties or the Energy Contract Volume Notification Agent to (and effective when received by) the Energy Contract Volume Aggregation Agent, which notice shall specify."*

*"Code P 3.2.2 A MVRNA authorisation may be terminated by notice, given in accordance with BSCP 71, by any one of the Lead Party, Subsidiary Party or Metered Volume Reallocation Notification Agent to (and effective when received by) the Energy Contract Volume Aggregation Agent, which notice shall specify."*

As the inconsistency relates to the receipt of Authorisation terminations the definition of receipt in Code documentation needs to be clearly understood. In particular the receipt of faxed documentation as this is the communication medium stipulated in BSCP71.

The receipt of faxed documentation is defined in the Code Section H 9.2.2 (c) :

*"in the case of facsimile, on acknowledgement of the addressee's facsimile receiving equipment (where such acknowledgement occurs before 1700 hours on the day of acknowledgement) and in any other case on the day following the day of acknowledgement."*

and the Communication Requirements Document (CRD) Section 3.1 :

*"communications will be deemed to have been received by the Participant when:.... "c. For fax transmission, the fax has been sent."*

In summary the Code states that an Authorisation termination notice, where an effective to date is either not specified or less than one calendar day after receipt by the ECVAA, is effective once the fax has been sent and the terminating party has received acknowledgement.

This interpretation of the provisions of the Code has been subject to legal review.

### **Code Subsidiary Documentation (BSCP71 'ECVNA and MVRNA Registration, Authorisation and Termination' and the ECVAA Service Description)**

BSCP71 states that the terminating party may at any time submit an "Authorisation Termination Request" Form specifying the termination effective date which must be not less than 1 calendar day after the day of receipt of the request form by ECVAA."

The validation checks relating to Authorisation termination requests as detailed in the ECVAA User Requirements Specification (F004 & F005) states "the Termination Effective Date must not be less than one calendar day after the day of receipt of the termination request".

In summary after a party has submitted an Authorisation termination notice, the earliest time when it can become effective will be 1 calendar day after receipt by the ECVAA.

### **4.2 Description of the Modification Proposal**

The Code, Section P 2.2.2 and 3.2.2, requires amendment to remove the requirement in the Code for an Authorisation Termination Request to become effective on receipt, and to instead reflect the requirement for 1 calendar day notice when submitting Authorisation Termination Requests to ECVAA, as defined in the legal text provided in Section 6 of this Modification Report.

## 5 RATIONALE FOR PANEL RECOMMENDATIONS

On the basis of the analysis and consultation undertaken in respect of this Modification Proposal, the Panel recommends to the Authority that the proposed Modification be rejected.

The Panel believes, on consideration of the Modification and the associated consultation responses, that:

- As a consequence of the concerns raised by the consultation responses, the Code should not be amended to reflect the operational requirement for 1 calendar days notice when submitting Authorisation Termination Requests to the ECVAA; and
- Failure to make such amendment to the Code would leave the Code inconsistent with operational procedure and Code Subsidiary documentation and therefore it is expected that the necessary steps be taken by ELEXON to amend ECVAA functionality to accord with the requirements of the Balancing and Settlement Code, in consultation (via the change management process) with parties.

In light of the above consideration, the Panel has concluded that the proposed Modification would not better facilitate the Applicable BSC Objective C3 (3) (d) 'promoting efficiency in the implementation and administration of the balancing and settlement arrangements'. The Modification has no impact on the remaining Applicable BSC Objectives set out in Condition C3 (3).

If the Authority determine that the Modification is to be implemented, the an implementation date of five working days after Authority decision is proposed in respect of this Modification Proposal.

## 6 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

### 6.1 Conformed Version

#### Section P ‘Energy Contract Volumes and Metered Volume Reallocation’

*Amend paragraph 2.2 to read as follows:*

#### 2.2 Termination of ECVNA Authorisation

2.2.1 An ECVNA Authorisation (if validated pursuant to paragraph 2.1) shall be and remain effective until and only until:

- (a) if a valid notice of termination is received and validated pursuant to paragraph 2.2.2, the end of the last day of effectiveness specified in such notice, or
- (b) the end of the last day of its effectiveness (if specified pursuant to paragraph 2.1.2(d)), or
- (c) either Relevant Contract Party ceases to be a Contract Trading Party, or
- (d) it is replaced by a further ECVNA Authorisation in accordance with paragraph 2.2.3

whichever is the earliest.

2.2.2 An ECVNA Authorisation may be terminated by notice, given in accordance with BSCP 71, by either of the Relevant Contract Parties or the Energy Contract Volume Notification Agent to ~~(and effective when received by)~~ the Energy Contract Volume Aggregation Agent, which notice shall specify:

- (a) the Energy Contract Volume Notification Agent,
- (b) the Energy (To) Account~~and~~
- (c) the Energy (From) Account and
- (d) the last day on which the ECVNA Authorisation is to be effective (not being earlier than the day following that on which the notice is given).

*The rest of the paragraph is unamended.*

Amend paragraph 3.2 to read as follows:

### **3.2 Termination of MVRNA Authorisation**

3.2.1 A MVRNA Authorisation (if validated pursuant to paragraph 3.1) shall be and remain effective until and only until:

- (a) if a valid notice of termination is received and validated pursuant to paragraph 3.2.2, the end of the last day of effectiveness specified in such notice, or
- (b) the end of the last day of its effectiveness (if specified pursuant to paragraph 3.1.2(d)), or
- (c) the Lead Party ceases to be registered as Lead Party of the BM Unit, or
- (d) the Subsidiary Party ceases to be a Contract Trading Party, or
- (e) if:
  - (i) the Subsidiary Energy Account is a Consumption Energy Account, the BM Unit becomes a Production BM Unit, or
  - (ii) the Subsidiary Energy Account is a Production Energy Account, the BM Unit becomes a Consumption BM Unit, or
- (f) it is replaced by a further MVRNA Authorisation in accordance with paragraph 3.2.4

(and in the cases in paragraphs (c), (d) and (e), until the relevant information has been provided to and validated by the ECVAA) whichever is the earliest.

3.2.2 A MVRNA Authorisation may be terminated by notice, given in accordance with BSCP 71, by any one of the Lead Party, Subsidiary Party or Metered Volume Reallocation Notification Agent to ~~(and effective when received by)~~ the Energy Contract Volume Aggregation Agent, which notice shall specify:

- (a) the Metered Volume Reallocation Notification Agent,
- (b) the Lead Party,
- (c) the Subsidiary Party,
- (d) the Subsidiary Energy Account, ~~and~~
- (e) the BM Unit ~~and~~
- (f) the last day on which the MVRNA Authorisation is to be effective (not being earlier than the day following that on which the notice is given).

The rest of the paragraph is unamended.

## 6.2 Clean Version

### Section P ‘Energy Contract Volumes and Metered Volume Reallocation’

*Amend paragraph 2.2 to read as follows:*

#### 2.2 Termination of ECVNA Authorisation

2.2.1 An ECVNA Authorisation (if validated pursuant to paragraph 2.1) shall be and remain effective until and only until:

- (a) if a valid notice of termination is received and validated pursuant to paragraph 2.2.2, the end of the last day of effectiveness specified in such notice, or
- (b) the end of the last day of its effectiveness (if specified pursuant to paragraph 2.1.2(d)), or
- (c) either Relevant Contract Party ceases to be a Contract Trading Party, or
- (d) it is replaced by a further ECVNA Authorisation in accordance with paragraph 2.2.3

whichever is the earliest.

2.2.2 An ECVNA Authorisation may be terminated by notice, given in accordance with BSCP 71, by either of the Relevant Contract Parties or the Energy Contract Volume Notification Agent to the Energy Contract Volume Aggregation Agent, which notice shall specify:

- (a) the Energy Contract Volume Notification Agent,
- (b) the Energy (To) Account,
- (g) the Energy (From) Account and
- (h) the last day on which the ECVNA Authorisation is to be effective (not being earlier than the day following that on which the notice is given).

*The rest of the paragraph is unamended.*

*Amend paragraph 3.2 to read as follows:*

**3.2 Termination of MVRNA Authorisation**

3.2.1 A MVRNA Authorisation (if validated pursuant to paragraph 3.1) shall be and remain effective until and only until:

- (a) if a valid notice of termination is received and validated pursuant to paragraph 3.2.2, the end of the last day of effectiveness specified in such notice, or
- (b) the end of the last day of its effectiveness (if specified pursuant to paragraph 3.1.2(d)), or
- (c) the Lead Party ceases to be registered as Lead Party of the BM Unit, or
- (d) the Subsidiary Party ceases to be a Contract Trading Party, or
- (e) if:
  - (i) the Subsidiary Energy Account is a Consumption Energy Account, the BM Unit becomes a Production BM Unit, or
  - (ii) the Subsidiary Energy Account is a Production Energy Account, the BM Unit becomes a Consumption BM Unit, or
- (f) it is replaced by a further MVRNA Authorisation in accordance with paragraph 3.2.4

(and in the cases in paragraphs (c), (d) and (e), until the relevant information has been provided to and validated by the ECVAA) whichever is the earliest.

3.2.2 A MVRNA Authorisation may be terminated by notice, given in accordance with BSCP 71, by any one of the Lead Party, Subsidiary Party or Metered Volume Reallocation Notification Agent to the Energy Contract Volume Aggregation Agent, which notice shall specify:

- (a) the Metered Volume Reallocation Notification Agent,
- (b) the Lead Party,
- (c) the Subsidiary Party,
- (d) the Subsidiary Energy Account,
- (i) the BM Unit and
- (j) the last day on which the MVRNA Authorisation is to be effective (not being earlier than the day following that on which the notice is given).

*The rest of the paragraph is unamended.*

## 7 SUMMARY OF REPRESENTATIONS

Seven responses, on behalf of thirty parties, were received to the consultation on this Modification Report. At a high level:

- Three responses, on behalf of ten parties, supported the Modification;
- Four responses, on behalf of twenty parties, did not support the Modification.

Reasons given for supporting the Modification are:

- A change to the Code should be made in order to correct such minor inconsistencies, as changing the ECVAA system to make such terminations effective on the day of notification is not cost effective and does not seem to provide any benefits; and
- One response indicated that they were prepared to support the recommendations of the Modification Report, however, concerns were raised as to the apparent requirement to amend the Code to support system functionality, rather than the other way round. Accepting the Modification may set a precedent that might undermine the Code.

Reasons given for not supporting the Modification are:

- Recent events have indicated that parties need to make notification agent Authorisation Terminations as quickly as possible, and that the cost of not doing so would outweigh, and is therefore worth, the development and implementation costs associated with the ECVAA change to align it with the Code;
- The current provisions of the Code, with regards to the termination of notification agent Authorisations should remain (i.e. the 60 minute timescale for processing). To increase this to a day increases risk to parties that they may be exposed to a contract position for longer than is necessary, and adds to the uncertainty regarding contract positions;
- This Modification would not be required if the BSC systems were developed in accordance with the standards specified in the Code;
- It is not believed that there would be an increase in the number of trading disputes, and therefore no associated change to ELEXON costs, as a result of making the change to ECVAA to align it with the Code, and in fact the potential for the number of trading disputes will be reduced; and
- It is believed that the failure of the Code to address the need for a participant to effect a swift notification agent authorisation termination is not consistent with the Applicable BSC Objective (3) (c) "promoting effective competition in the generation and supply of electricity ...".

## ANNEX 1 – REPRESENTATIONS

### Responses from P47 Draft Modification Report Consultation

Consultation issued 26 November 2001

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU	P47_MR_001	14
2.	British Gas Trading	P47_MR_002	4
3.	SEEBOARD	P47_MR_003	1
4.	The European Power Source Company (U.K.) Limited	P47_MR_004	1
5.	Scottish Power UK Plc	P47_MR_005	5
6.	Powergen	P47_MR_006	1
7.	London Electricity	P47_MR_007	4

**P47\_MR\_001 – TXU**

**P47 - Termination Process for ECVNA and MVRNA Authorisations**

Thank you for the opportunity to respond to the above modification proposal. TXU Europe Energy Trading Ltd would like to make the following comments on behalf of all TXU Europe companies<sup>2</sup>.

Whilst we understand the need to align the Balancing and Settlement Code with the existing functionality of the ECVAAs systems we do not believe that this modification proposal should be implemented. Given recent events whereby parties may have found it necessary to make ECVNA and MVRNA Authorisation Terminations as quickly as possible, TXU believes that it is worth the development and implementation costs of £40,000 to £60,000 to align the ECVAAs Systems with the current drafting of the Balancing and Settlement Code.

The recent events surrounding Enron have shown that there are occasions on which it will be vital for terminations to be made instantly and the costs of not being in a position to make such terminations could far outweigh the development costs that have been quoted in the draft modification report. Therefore we are unable to support implementation of this modification proposal. We believe that Elexon should instruct Logica to ensure that the ECVAAs system is in compliance with the BSC as currently drafted.

We hope you have found our comments useful and should you wish to discuss any aspect of this response further do not hesitate to contact me on the above number.

Yours sincerely  
Nicola Lea  
Market Development Analyst

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<sup>2</sup> Anglian Power Generators Ltd; Citigen; Eastern Energy Ltd; Norweb Energi Ltd; TXU Europe Drakelow Ltd; TXU Europe Energy Trading BV; TXU Europe Energy Trading Ltd; TXU Europe High Marnham Ltd; TXU Europe Merchant Generation Ltd; TXU Europe West Burton Ltd; TXU UK Ltd; Peterborough Power Ltd; Shotton Combined Heat and Power Ltd.

## P47\_MR\_002 – British Gas Trading

Modification Proposal 47: Termination Process for ECVNA and MVRNA Authorisations

Thank you for the opportunity of responding to this modification. This response is on behalf of British Gas Trading, Accord, Centrica Peterborough and Centrica King's Lynn.

We do not support this modification proposal. We do not believe it will better facilitate the Applicable Objectives.

The draft modification report suggests the BSC Objectives will be better facilitated by changing the Code in order to avoid costs associated with system development and a potential increase in Elexon costs from administering trading disputes.

The current provisions for termination of ECVNA and MVRNA authorisations under the Code should remain and the timescale of 60 minutes should be met in the Procedures. To change this to a day is to increase the risk for Parties that they may be exposed to a contract position for longer than is necessary. It will also add to the uncertainty faced by Parties with regard to their contract position.

We do not consider the costs quoted to make the changes to central systems to be excessive. We are concerned that avoidance of cost is used as the main argument for making a change to the Code and do not believe this better facilitates the BSC Objectives.

We also query the intent of the modification to change the code over the associated procedure. We are surprised that changing the Code to a less rigorous standard is considered to better achieve the applicable BSC objectives. If the systems can be changed, and the implication in the modification report is that this is the case, then the necessary changes should be made. We also query why the BSC Systems were not originally developed to the standards specified in the Code. If they had been then this modification would not be required.

There is insufficient evidence presented in the draft modification report to fully assess the potential increase in trading disputes should the current drafting in the Code remain. However, we do not believe there would be an increase in the number of trading disputes and hence no increase in costs for Elexon should the BSC Procedures be changed in preference to the Code. We believe that changing the procedures instead of the Code would reduce the potential for disputes.

Yours faithfully

Danielle Lane

Transportation Analyst

**P47\_MR\_003 – SEEBOARD**

We agree with this report and that a change should be made to BSC to correct these minor inconsistencies. Changing ECVAA system to make such terminations effective on the day of notification is not cost effective and would not seem to provide any benefits. We have no issues with the implementation date suggested within this report.

Dave Morton

SEEBOARD

**P47\_MR\_004 – The European Power Source Company (U.K.) Limited**

**P47 Report Comments**

Thank you for the opportunity to comment on the Modification Proposal P47 Report – Termination Process for ECVNA and MVRNA authorisations. The European Power Source Company (U.K.) Limited (EPSCO) does not support this proposal in its current form.

Once grounds for ECVNA and MVRNA Authorisation termination in relation to a Party become evident (as detailed in BSC Section P), other Parties should have the ability to terminate such Authorisations, effective at the earliest possible opportunity. This Modification Proposal will enforce a delay into the Authorisation termination process until the start of the following Settlement Day. EPSCO believes that the failure of the Code to ensure that a participant can achieve a swift termination may act against BSC objective (c) “Promoting effective competition in the generation and Supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity.”

EPSCO also believes that the modification proposal is of sufficient material interest to have benefited from an assessment phase. This could have gauged the level of market participants’ perceived risks arising from the modification, examined the cost benefits of the software change to align current practice with the existing Code, and explored possible alternatives.

Nick Fee

On Behalf of Anthony J. Gordon

Managing Director

**P47\_MR\_005 – ScottishPower UK Plc**

**Modification Proposal P47 – Termination Process for ECVNA and MVRNA Authorisations**

I would like to thank you for this opportunity to comment on the Modification Report for P47.

While we are prepared to support the recommendations in the Modification Report, we are concerned that we appear to be changing the BSC to suit system functionality rather than the other way around. We fully understand and accept the need to consider the cost implications of alternatives to amending the code, but it is important that in accepting P47 we are not setting a precedent that might, in some way, undermine the BSC.

I trust you will find these comments helpful.

Yours Sincerely,

**James Nixon**

Calanais Ltd.

For and on behalf of: -

**ScottishPower UK Plc.**

**SP Energy Trading Ltd.**

**SP Generation Ltd.**

**Scottish Power Energy Retail Ltd.**

**Emerald Power Generation Ltd.**

**P47\_MR\_006 – Powergen**

**Termination Process for ECVAA and MVRNA Authorisations**

Powergen do not support this proposal in its current form.

Powergen exercised the ECVNAA termination process in the recent Enron default and found that there were uncertainties about timings, and that there was the potential for a party to be left exposed to a failing counterparty.

We would suggest that the Panel reject this modification to allow another more general modification to be brought forward. This would enable a wider review of how the BSC deals with defaulting parties to take place. Any such review should take into account the contractual relationship between parties e.g. the GTMA and similar agreements.

**P47\_MR\_007 – London Electricity**

London Electricity supports this modification on the grounds of aligning the BSC with its subsidiary documents and the operational practice of Logica – we therefore agree that it facilitates objective (d) of the BSC, the efficient administration of the BSC.

Liz Anderson

London Electricity Plc, SWEB Ltd, Jade Power Generation Ltd and Sutton Bridge Power Ltd.

## ANNEX 2 – PANEL PAPER 27/010

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**Meeting name** BSC Panel

**Date of meeting** 30 July 2001

**Paper Title** MINOR INCONSISTENCY IN THE TERMINATION PROCESS FOR ECVNA AND MVRNA AUTHORISATIONS

**Purpose of Paper** For Decision

**Synopsis** A minor inconsistency has been identified in the Energy Contract Volume Notification Agent (ECVNA) and Meter Volume Reallocation Notification Agent (MVRNA) Authorisation termination process. The Code Section P states that an Authorisation termination is effective when received by the Energy Contract Volume Allocation Agent (ECVAA). This is at variance with BSCP71, the ECVAA User Requirement Specification (URS) and the BSC Systems will only allow Authorisation terminations to be effective one calendar day after receipt by the ECVAA. In accordance with the Code Section F 2.1.1 (d) (vi) ELEXON recommend that the Panel raise a Code Modification in order to address this inconsistency, and bring the Code in line with the other products and the developed systems.

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### 1. INTRODUCTION

- 1.1 A minor inconsistency has been identified in the termination process for Energy Contract Volume Notification Agent (ECVNA) and Meter Volume Reallocation Notification Agent (MVRNA) Authorisations. The termination process, is described in the Code Section P 2.2 “Termination of ECVNA Authorisations” and 3.2 “Termination of MVRNA Authorisation”.
- 1.2 The inconsistency relates to the time that termination Authorisation notifications becomes effective. The Code states that the termination is effective when given in accordance with BSCP71 and received by the Energy Contract Volume Allocation Agent (ECVAA). BSCP71 and the ECVAA User Requirement Specification (URS) state that the Authorisation termination notification becomes effective one calendar day after receipt by the ECVAA. (Attachment 1 summarises the Authorisation termination process as covered in the Code Section P and H, BSCP71, ECVAA URS and Communication Requirements Document.).
- 1.3 The process is consistent in all configurable documentation where a terminating party requests an effective termination date that is one calendar day after receipt by the ECVAA.

### 2. PROPOSED SOLUTION

- 2.1 Under the Code Section F 2.1.1 (d) (iv) a proposal to modify the Code may be made by the Panel "on the recommendation of BSCCo to rectify manifest errors in or to correct minor inconsistencies (or make other minor consequential changes) to the Code".
- 2.2 It is therefore proposed that the following Code amendments, under F 2.1.1 (d) (iv), are raised as a Code Modification by the Panel to address this minor inconsistency:

*"Code P 2.2.2 An ECVNA Authorisation may be terminated by notice, given in accordance with BSCP 71, by either of the Relevant Contract Parties or the Energy Contract Volume Notification Agent to ~~(and effective when received by)~~ the Energy Contract Volume Aggregation Agent, which notice shall specify:"*

*"Code P 3.2.2 A MVRNA Authorisation may be terminated by notice, given in accordance with BSCP 71, by any one of the Lead Party, Subsidiary Party or Metered Volume Reallocation Notification Agent to ~~(and effective when received by)~~ the Energy Contract Volume Aggregation Agent, which notice shall specify:"*
- 2.3 If this Code Modification is approved the only amendment required will be to the Code Section P paragraphs 2.2.2 and 3.2.2, as detailed above, there is no impact on Code Subsidiary Documents or BSC Systems.

### **3. CONSEQUENCE OF NO CHANGE**

- 3.1 Under the current version of the Code an Authorisation termination submitted to the ECVAA will become effective when received by the ECVAA, it is therefore possible that an Authorisation termination can be received and become effective on the same calendar day and hence allow partial day terminations. Under the current arrangements the ECVAA is required to process Authorisations and Notifications within 60 and 15 minutes respectively. In certain circumstance this may introduce grounds for disputes.
- 3.2 The current functionality of ECVAA Systems does not support an Authorisation termination notice becoming effect on the same day as it has been received by the ECVAA. To implement this requirement in the ECVAA system will require a software change, an initial estimate indicates that the costs will be in the region of £40,000 to £60,000. A modification to the Code is therefore considered to be a more cost effective option than a change to the ECVAA software.

### **4. RECOMMENDATIONS**

**The Panel is invited to raise a Code Modification, in accordance with Code Section F 2.1.1 (d) (iv), to address the inconsistency identified in the process to terminate ECVNA and MVRNA Authorisations by removing "(and effective when received by)" from paragraphs P 2.2.2 and P 3.2.2.**

#### **List of enclosures**

**Attachment 1:** Summary of the Authorisation Termination Notification Process

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**ATTACHMENT 1**

**AUTHORISATION TERMINATION NOTICE PROCESS**

The process to submit an Authorisation termination notice is covered under the Code Section P, BSCP71 ECVNA and MVRNA Registration, Authorisation and Termination and the ECVAA URS. The next two sub-sections describe the process as documented firstly in the Code and secondly in BSCP71 and the ECVAA URS.

**CODE SECTION P PARAGRAPHS 2.2 TERMINATION OF ECVNA AUTHORISATIONS AND 2.3 TERMINATION OF MVRNA AUTHORISATIONS**

The process is equivalent for both ECVNA and MVRNA Authorisation terminations and states that the termination notice is given in accordance with BSCP71 to and becomes effective when received by the ECVAA:

- "Code P 2.2.2 An ECVNA Authorisation may be terminated by notice, given in accordance with BSCP 71, by either of the Relevant Contract Parties or the Energy Contract Volume Notification Agent to (and effective when received by) the Energy Contract Volume Aggregation Agent, which notice shall specify;"
- "Code P 3.2.2 A MVRNA authorisation may be terminated by notice, given in accordance with BSCP 71, by any one of the Lead Party, Subsidiary Party or Metered Volume Reallocation Notification Agent to (and effective when received by) the Energy Contract Volume Aggregation Agent, which notice shall specify;"

As the inconsistency relates to the receipt of Authorisation terminations the definition of receipt in Code documentation needs to be clearly understood. In particular the receipt of faxed documentation as this is the communication medium stipulated in BSCP71.

The receipt of faxed documentation is defined in the Code Section H 9.2.2 (c) :

*"in the case of facsimile, on acknowledgement of the addressee's facsimile receiving equipment (where such acknowledgement occurs before 1700 hours on the day of acknowledgement) and in any other case on the day following the day of acknowledgement."*

and the Communication Requirements Document (CRD) Section 3.1 :

*"communications will be deemed to have been received by the Participant when:.... "c. For fax transmission, the fax has been sent."*

In summary the Code states that a Authorisation termination notice, where an effective to date is either not specified or less than one calendar day after receipt by the ECVAA, is effective once the fax has been sent and the terminating party has received acknowledgement.

This interpretation of the Code provisions have been discussed and agreed with the ELEXON legal representative.

**BSCP71 ECVNA AND MVRNA REGISTRATION, AUTHORISATION AND TERMINATION AND  
ECVAA URS**

BSCP71 states that the terminating party may at any time submit an "Authorisation Termination Request Form specifying the termination effective date which must be not less than 1 calendar day after the day of receipt of the request form by ECVAA."

The validation checks relating to Authorisation termination requests as detailed in the ECVAA URS (F004 & F005) states "the Termination Effective Date must not be less than one calendar day after the day of receipt of the termination request".

In summary after a party has submitted an Authorisation termination notice, the earliest time when it can become effective will be 1 calendar day after receipt by the ECVAA.

## **ANNEX 3 – PANEL HEADLINE REPORT FROM PANEL 33 – PANEL DECISION FOR MODIFICATION P47**

### **9. P47: TERMINATION PROCESS FOR ECVAA AND MVRNA AUTHORISATIONS (PAPER 33/016)**

**Synopsis:** this paper set out the Initial Written Assessment of Modification Proposal P47. The Panel was invited to direct that P47 be submitted to the Report Phase and that the Modification Report be prepared for the Panel meeting of 13 December 2001.

The Panel:

- NOTED the Initial Written Assessment;
- DETERMINED that Modification Proposal P47 be submitted directly to the Report Phase (pursuant to Section F 2.7 of the BSC);
- AGREED that the draft Modification Report should contain a recommendation that the Proposed Modification be approved;
- AGREED an implementation date for the Modification of 5 business days after the date of the Authority's determination; and
- AGREED the Report Phase timetable such that the Modification Report be completed and submitted to the Panel at its meeting of 13 December 2001.