

P044 Consultation Paper and High Level Impact Assessment

**Modification Proposal P044 – Correction of
Notification Errors where Parties are able to satisfy
a Reasonable and Prudent Operator test**

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b Distribution

Name	Organisation
Modification Group	
Parties	
Party Agents	
NETA Central Service Agent	

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1. INTRODUCTION

1.1 Background

Modification Proposal (Modification Proposal) P044 Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test' was submitted on 8th October 2001 by Powergen. The Modification Proposal seeks to modify the BSC so that Parties will be able to apply to the Panel requesting the ex post creation of new Energy Contract Volume Notifications (ECVNs) / Metered Volume Reallocation Notifications (MVRNs) or amendment of a previously submitted ECVN / MVRN. The Modification Proposal seeks to address the increased risks faced by Parties that have no alternative but to notify their Volume Notifications close to Gate Closure.

A copy of the Modification Proposal and the covering letter is appended to this document. The IWA, the relevant Sections of the BSC, the Authority decision on P019 and the other Modification Proposals referred to in this document can be found on the BSC Website at www.elexon.co.uk.

On 31st October 2001, the Panel reviewed the Initial Written Assessment (IWA) relating to the Modification Proposal prepared by ELEXON, and agreed that the Modification Proposal should be submitted to the Error Processing Modifications Group (the Group) under the Assessment Procedure, as described in Section F2.6 of the Balancing and Settlement Code (BSC).

The Panel agreed that the Group should include in the Assessment Report:

- a) consideration of the gap that would arise if both Modification Proposal P037 (P037) 'the remedy of past errors in ECVNs and MVRNs' and the Modification Proposal were approved for implementation with different Implementation Dates. The Panel noted that this issue would potentially introduce a retrospective element to the Modification Proposal;
- b) consideration of the impact of any changes of process on smaller Parties and Party Agents; and
- c) consideration of the development of an Alternative Proposal, noting the progress being made on P037.

The Group must prepare a written report for the Panel that includes the matters (a) to (h) described in BSC, Annex F-1.

The Group met on 12th November 2001, and agreed to consult with Parties, Party Agents and the NETA Central Service Agent on the issues raised by the Modification Proposal.

1.2 Related Modification Proposals

There are a number of Modification Proposals which relate to the Modification Proposal and these are:

- P004 'Dual Contract Notification'. P004, if approved by the Authority, would result in improved ECVAA real-time reporting. P004 would therefore potentially address, although not completely eliminate, the risks faced by those Parties who have no alternative but submit Volume Notifications close to Gate Closure.

- P019 'To provide for the remedy of errors in Energy Contract Volume Notifications and in Metered Volume Reallocation Notifications'. On 1st August 2001, the Authority provided a decision and notice in relation to P019. This paper outlined a number of key factors which should be taken into account in progressing P019, which addresses similar issues. Appendix 3 highlights the key factors for consideration.
- P035 'Qualified ECVNAs'. P035 which is currently in the Definition Procedure would allow the post Gate Closure amendment of ECVNs in certain pre-defined circumstances. The process of 'correcting' these errors would potentially be the same as for the Modification Proposal.
- P037 has been presented to the Authority for determination. Although P037 is a retrospective Modification Proposal; a number of its mechanism may be relevant to the Modification Proposal. The mechanism which may be incorporated within the scope of the Modification Proposal are:
 - Appeals process; and
 - Credit arrangements process.

In addition P037 introduces the concept of an Error Correction Payment (ECP) and this principle should be considered during the development of the Modification Proposal; though it is recognised that as this would be a principle rather than a mechanism, it may result in an Alternative Modification Proposal being raised.

1.3 Purpose of Document

This document has two main purposes:

- As a consultation document, seeking the views of Parties and Party Agents on the issues raised by the Modification Proposal.
- To specify the various options being considered by the Group in sufficient detail that Parties, Party Agents and the NETA Central Service Agent can provide a High Level Impact Assessment (HLIA) of them.

1.4 Next Steps

Parties and Party Agents are requested to provide responses to the consultation (via the Modification Procedure, in accordance with Section F of the BSC) and High Level Impact Assessment (HLIA) (via the change management process, in accordance with BSCP40) on the Modification Proposal and the questionnaire which is included in Appendix 1. In addition, in parallel, the NETA Central Service Agent will undertake a HLIA.

Following the consultation and HLIA, a detailed specification will be produced by the Group for subsequent issue to Parties and Party Agents for a Detailed Level Impact Assessment (DLIA) via the change management process. In addition in parallel, the NETA Central Service Agent will undertake a DLIA.

2. MODIFICATION GROUP DETAILS

The Membership of the Group was as follows:

David Warner	ELEXON (Chair)
Peter Bolitho	Powergen (Proposer)
Andrew Paddon	Sempra
Chris Teverson	European Power Source Company (UK)
David Edward	Ofgem
Ian Moran	Scottish & Southern Energy
Ian Moss	Automated Power Exchange Limited
Jon Bradley	British Gas Trading
Libby Glazebrook	Edison Mission
Mark Edwards	Derwent Cogeneration
Martyn Hunter	St Clements Services
Mike Attree	Edison Mission Energy
Mike Edgar	NGC
Mike Harrison	Scottish Power
Nick Simpson	Ofgem
Nicola Lea	TXU Europe
Paul Mott	London Electricity
Phil Russell	TXU
Rekha Patel	Dynegy
Richard Ford	St Clements Services
Roy Dinsmore	Innogy
Sharif Islam	Total Fina Elf
Neil Cohen	ELEXON
Ceri Hughes	ELEXON

Those who attended the Group meeting on 12th November 2001 were as follows:

David Warner	ELEXON (Chair)
Peter Bolitho	Powergen (Proposer)
Paul Mott	London Electricity
Martyn Hunter	St Clements Services
Nikki Lea	TXU Europe
Danielle Lane	British Gas Trading
Jerome Williams	Ofgem
Neil Cohen	ELEXON
Ceri Hughes	ELEXON

3. DESCRIPTION OF THE MODIFICATION PROPOSAL

The rules for submitting Volume Notifications are specified in Section P of the BSC. The Modification Proposal seeks to amend these rules to allow for Parties to apply to the Panel requesting the ex post creation of new ECVNs / MVRNs or amendment of a previously submitted ECVN / MVRN.

A key feature of this Modification Proposal is therefore the ability of Volume Notifications to be submitted or amended post Gate Closure subject to Panel authority. However the Modification Proposal is not intended to be retrospective.

3.1 Scope of Claims

The Modification Proposal identified four circumstances ‘tests’ by which an application should be considered to allow a Volume Notification to be changed / submitted post Gate Closure:

- a) if the Volume Notification had as part of normal operations (ie. because of operational failures or in order to refine earlier submitted forecasted quantities) to be submitted after 18:30 on the day before the effective date of the Volume Notification; or
- b) for Volume Notifications made prior to 18:30 on the day before the effective date of the Volume Notification, the Forward Contract Report (E0221) had not been sent by the ECVAA to any of the Parties involved; and
- c) the claimant can demonstrate beyond reasonable doubt that it had taken all reasonable steps (to the standard of a reasonable and prudent operator (RPO)) to prevent Volume Notification errors happening in the first place and to minimise the impact of errors should they actually occur; and
- d) the claim is supported by both Parties in the case of inter-company transactions and a Director / Company Secretary of the relevant Party in the case of intra-company transactions.

The Modification Proposal refers to the concept of an RPO. It is anticipated that an RPO would:

- adhere to good industry practice in terms of process / systems development and operation; and
- would have risk management measures commensurate with the risks being taken by the Party.

3.2 Potential Impacts

Implementation of the Modification Proposal would potentially impact the following:

- BSC which will incorporate the principle Modification Proposal requirements;
- Code Subsidiary Documents which may require changes to incorporate the revised requirements;
- NETA Central Service Agent, in particular the Energy Contract Volume Aggregation Agent (ECVAA) processes and design documentation. At present, it is believed that there is a minimal impact on the ECVAA processes as a result of the Modification Proposal being implemented on the basis that the EVA is already able to ‘correct’ Volume Notifications manually post Gate Closure due to an ECVAA Failure. However, it should be noted that

any significant increase in the ‘correction’ of Volume Notifications may result in an automated solution being required to be developed by the NETA Central Service Agent, which would obviously incur additional development and ongoing operational costs. Such a development however could benefit a number of Modification Proposals currently being progressed through the Modification Procedure;

- Panel who would be the body who will determine the validity of claims;
- Parties who choose to exercise the process; and
- ELEXON in supporting the processing of claims.

3.3 Potential Implementation Approach

The Modification Proposal does not specify the process to be implemented on a step-by-step basis. However, it is anticipated that many of the mechanisms and processes described in the legal text for P037 (Appendix 2) could be adopted as part of the Modification Proposal. Nevertheless amendments would be required to the legal text to incorporate the tests outlined in 3.1 above.

4. ANALYSIS OF ISSUES RAISED BY MODIFICATION PROPOSAL

The Group met on 12th November 2001 to discuss the issues raised by Modification Proposal. The Group agreed that:

- wherever appropriate the mechanisms outlined in P037 should be adopted in progressing the Modification Proposal;
- the consultation and HLIA would seek to establish Party and Party Agent views on the issues raised in this questionnaire; and
- the NETA Central Service Agent should undertake a HLIA.

This section of the document summarises the Group's initial views as follows. The questionnaire which is contained in Appendix 1 reflects the Group's discussions.

4.1 Issues Raised in Initial Written Assessment

A number of the issues raised in the IWA have been addressed, however below are the remaining issues which require progression by the Group.

- 4.1.1 The main issue to be considered is that the Modification Proposal states that a claim can be made in one of four circumstances, when either:
- a) the Volume Notification in question had to be submitted after 18:30, day ahead; or
 - b) for Volume Notifications to have been submitted prior to 18:30, day ahead, the Forward Contract Notification Report (ECVAA-E0221) had not been sent by the ECVAA; and
 - c) the claimant can demonstrate beyond reasonable doubt that it had taken all reasonable steps (to the standard of a reasonable and prudent operator (RPO)) to prevent Volume Notification errors happening in the first place and to minimise the impact of errors should they actually occur; and
 - d) the claim is supported by both Parties in the case of inter-company transactions and a Director / Company Secretary of the relevant Party in the case of intra-company transactions.

It should be noted that any claims will be provided by a Company Director(s) in writing.

This process raises issues relating to how the Party can prove beyond reasonable doubt that their claim is valid.

Approach for Consideration

- i) The tests described in a) and b) are likely to require amendment should P004 be implemented.
- ii) The Party making the claim, the counter Party, potentially the relevant Volume Notification Agent and the ECVAA would need to provide documentary evidence supporting the claim.
- iii) The requirements on what evidence to be provided should be included within a specification to be produced by the Group or alternatively be developed by the Panel. Any such development by the Panel should be undertaken either during the development of the Modification Proposal or soon after an approved Implementation Date. There are two approaches that could be adopted in drafting the requirements on what evidence should be provided:

- A set of rules could be defined and potentially included within the BSC or a Code Subsidiary Document; or alternatively
- A set of guidelines could be defined but would not be included in the BSC or Code Subsidiary Document.

Group's Initial View

The Group discussed these issues and concluded that if P004 were to be implemented, that both circumstances a) and b) remained potentially valid. However it was noted that the implementation of P004 might require a revision to the precise circumstances by which a claim could be submitted for consideration by the Panel.

The Group acknowledged the underlying intent of the Modification Proposal whereby error 'correction' would only be appropriate if the risk of error were, in effect, unmanageable because of a lack of adequate reporting. Hence the Group suggested, if P004 were implemented circumstances a) and b) would be replaced with the following tests:

- a) if a Volume Notification had to be submitted after 15 minutes prior to the relevant Gate Closure; and
- b) the P004 Acceptance Feedback reports was unavailable at the time when the Volume Notification needed to be made.

In so far as the provision of evidence was concerned, the Group considered that the four circumstances, along with all definition of what an RPO would constitute, might be sufficient for the BSC drafting. It would then be for the decision relating body to establish case history and guidelines that reflect good industry practices. Finally, the Group considered that the Modification Proposal did not actually define what an error was. Hence, assuming that all circumstances were passed, the Modification Proposal did not specify as to what correction should actually be made. The Group accepted that the definitions used in P037 would be appropriate; namely that the correct Volume Notification reflected the demonstrably settled (and shared) intent.

- 4.1.2 The Modification Proposal states that 'Any claim would have to be submitted by 17:00 on the Business Day following the 'effective day''. However there is no process described for how the claim should be processed and in what timescales. In addition, depending on the nature and value, a claim may need to be processed quickly because it may place the Party in a weak financial position, which would otherwise not have been the case if a 'correct' Volume Notification had originally been submitted. Therefore the process and the associated timescales need to be considered fully in the Assessment Procedure.

Approach for Consideration

A specification should be produced outlining the detailed process to be followed if a claim were to be submitted.

Group's Initial View

The Group discussed this issue and concluded that this timescale was reasonable even for smaller Parties who were not operating on a 24 / 7 hour basis, in that they would have one clear Business Day to lodge a claim.

- 4.1.3 The Modification Proposal states that 'BSC Parties should be able to apply to the BSC Panel requesting the ex-post creation' of Volume Notifications. This would require the BSC Panel to put in place processes for administering claims which would add to the existing heavy workload that is already placed upon the Panel. The Panel are required to meet at least once a month, in accordance with Section B, 4.4.1 of the Code. However the administration of claims may require the Panel to meet more frequently or an ad-hoc basis and potentially at short notice. The availability of the Panel members on a more frequent or an ad-hoc basis requires full consideration. **Approach for Consideration**

Given that the Panel has the ability to delegate such decision making to a suitably constituted Committee, as with P035 and P037, notwithstanding the above concerns, the Panel should act as the decision making authority.

Group's Initial View

The Group discussed this issue and concluded that the responsibility for this new role should rest with the Panel, who might choose to delegate it to a Committee.

- 4.1.4 The Modification Proposal states that the Party would provide 'a non-refundable administration fee of £5,000'. Though this does not require a change to Section D of the BSC 'BSC Cost Recovery and Participation Charges', the impact of introducing such a further specific charge needs careful consideration as it potentially introduces a precedence for adding a new one-off charge each time a Modification Proposal is approved. This in turn will increase the operational BSCCo costs involved in administering the issuing of invoices and receipt of payment and increase further the complexity of the charging regime. It should also be recognised that when Section D was produced many more specific charges were contemplated but rejected in favour of the Funding Shares approach.

Approach for Consideration

This approach has already been agreed for P037. Is it therefore proposed that the same approach is adopted for the Modification Proposal, however noting that this will increase the burden on ELEXON who manages the administration of such fees.

Group's Initial View

The Group discussed this issue and concluded that this approach was acceptable, noting it was an approach already proposed for P037.

- 4.1.5 The NETA Central Service Agent may be unable to process an increase in the number of post Gate Closure Volume Notifications using its current manual process as a result of the Modification Proposal or any other Modification Proposal. The NETA Central Service Agent has indicated that any increase in Volume Notifications, post Gate Closure, due to this or any other Modification Proposal will potentially require an automated solution to be developed on the basis that the existing process is manual and is error prone. This development would result in NETA Central Service Agent costs in the region of £250,000. However such a development is unlikely to be delivered by the NETA Central Service Agent until 2003 (on the basis that the NETA Central Service Agent are committed to the BSC Systems Release 2 Project developments).

Approach for Consideration

The NETA Central Service Agent, during its assessment of Modification Proposal P001 (P001) 'Extension to the Definition of ECVAA System Failure', stated that the existing manual process was not suitable if the volume of 'corrections' being processed were to be increased. Therefore the following needs to be established to give an indication as to whether improvements should be made to the ECVAA System to automate the 'correction' process:

- i) The number of Volume Notifications processed by the ECVAA post Gate Closure (this process will occur where there has been an ECVAA System Failure);
- ii) An estimate of the number of Volume Notifications which would be submitted for 'correction' if the Modification Proposal was implemented;

It should be noted that if the processing of claims were to be spread over a period of time then the impact on the ECVAA processing would be less than if claims were to be processed in a relatively short period of time.

It should be noted that any requirement to improve the ECVAA processing would benefit a number of Modification Proposals not just this one, therefore any costs should be shared by the impacted Modification Proposals; thereby potentially resulting in a cost saving from the NETA Central Service Agent on the basis that they would be developing one solution which would benefit a number of Modification Proposals.

Group's Initial View

The Group discussed this issue and concluded that given the limited scope for claims under the Modification Proposal, the number of 'corrections' would probably be small and therefore it was likely that the existing manual process would be sufficient. It was however noted that P0035 may result in a further number of valid claims being authorised for 'correction'. Therefore it was agreed that the NETA Central Service Agent should be requested to consider the potential impact of an increased number of Volume Notifications for correction on the ECVAA process.

- 4.1.6 The Modification Proposal states that a claim 'would be submitted by 17:00 on the first Business Day following the 'effective day''. P037 if approved, would have an Implementation Date five days after the date of the Authority determination. The Modification Proposal if approved, might have a later Implementation Date. This indicates that if P037 were to be approved, there would be an interim period when no claims can be lodged. Neither Modification Proposal addresses this issue.

Approach for Consideration

The Panel stated that the Group should consider the gap that would arise if both P037 and the Modification Proposal were approved for implementation with different Implementation Dates and noted that this issue could potentially introduce a retrospective element to the Modification Proposal. The Modification Proposal is explicit in that claims can only be made if they are submitted by 17:00 on the next Business Day following the effective date of the Volume Notification. This therefore indicates that the Modification Proposal was intended to be prospective not retrospective.

Group's Initial View

The Group noted but did not discuss the theoretical possibility that the Modification Proposal might be implemented before P037. There exists, therefore, the possibility that there will be

a period of time during which neither P037 nor the Modification Proposal were in affect. The Group noted:

- i) This possibility did not raise system issues for the BSC Systems;
- ii) It might be that no claims would arise in any such gap;
- iii) It was impractical that the applicability of P037 could (or should) be extended to fill any gap;
- iv) The size and importance of any gap could not be assessed until Implementation Dates for P037 and the Modification Proposal were known;
- v) That the following options existed:
 - Do nothing in advance of implementation, other than flagging that claims might arise in the gap. It would then be for any claimant in the gap to raise a retrospective Modification Proposal. It was noted, that, since such a possibility would have been recognised in advance, it would appear to fulfil one of the circumstances under which retrospection might be appropriate (refer to Appendix 3, which provides an outline on the Authority's determination on P019).
 - Raise an Alternative Modification Proposal for P044. This variant would only differ from the original Modification Proposal in that it would be retrospective to the Implementation Date of P037.

- 4.1.7 P037 proposed both an 'error correction payment (ECP)' and where relevant, capping of the ECP, payment if a Party's claim is upheld. However the Modification Proposal is silent in this area. The proposer did not believe an error correction payment fee was appropriate given that any successful claimants would have had to satisfy the robust tests outlined in 3.1 above, and therefore by definition must have followed good industry practices.

Approach for Consideration

Where appropriate the rules proposed for P0035 and P037 should be adopted for the Modification Proposal on the basis that the instances by which a claim can be lodged will be limited.

Group's Initial View

The Group discussed this issue and concluded that the rationale in P037 Alternative for an uncapped ECP had merit particularly as it introduced higher hurdles for a Party, which needed to be taken into consideration prior to submission of a claim. It was also noted however, that calculation of ECPs would require more system resources and places greater administrative burdens on ELEXON. The Group agreed that Parties be requested to confirm whether or not they believed an ECP should be included in the Modification Proposal.

- 4.1.8 Potentially a Party may lodge any number of claims over a period of time. However the Modification Proposal does not define a process to handle the situation where a given Party regularly lodges claims, which may be as a result of poorly defined internal operational procedures. Consideration should be given to introducing a BSC process which would monitor all claims lodged to ensure that any given Party is not using the claims process as an alternative to the contract notification process described in Section P of the BSC and where appropriate reject invalid claims.

Approach for Consideration

P0035 proposes introduces a capping arrangement whereby a claim can be raised up to a maximum of (x) within a rolling period of (y) days. It is suggested that a similar arrangement is introduced for the Modification Proposal so as to disincentivise Parties from making invalid claims which result in ELEXON incurring overhead costs in processing the invalid claim.

Group's Initial View

The Group discussed this issue and noted that the RPO test would have to be satisfied; frequency of claims would be taken into account in this regard.

4.1.9 The Modification Proposal is silent on a number of areas which are included in the scope of P037. These areas are:

- i) The appeals process. P037 allows for a Party to refer a Panel determination to the Authority where the procedures defined have not been followed or where new information has emerged since the relevant determination was made. This in itself introduces potential confidentiality issues ie. if an appeal were to be lodged, then the information relating to such a claim should be non-confidential, however if no appeal were to be lodged then the information relating to such a claim should remain confidential; and
- ii) The credit arrangements process. P0037 proposes that where a Past Notification Error is rectified, the rectification shall be taken into account for the purposes of the determination of the relevant Contract Trading Parties' Credit Cover Percentages in relation to Settlement Periods for which Gate Closure occurs after, but not earlier than, the time of the rectification.

Approach for Consideration

Each of the circumstances above should be considered for inclusion in the Modification Proposal.

Group's Initial View

The Group discussed this issue and the majority preferred that these requirements should be incorporated in the Modification Proposal and it was agreed that this issue should be included as a consultation and HLIA question.

4.2 Comparison of Features with related Modification Proposals

There are two related Modification Proposals which have similar features; these are:

- P035; and
- P037.

Below is a table of the key features which exist between these Modification Proposals:

FEATURE	P37	P44	P35
PROCESS	<ul style="list-style-type: none">• 5 days notice• 5 days to raise claim• 5 days to appeal	Submit claim by 17.00 next Business Day following effective date	Submit claim by 3 WD prior to SF run

FEATURE	P37	P44	P35
DEFINITION OF ERROR	Volume Notification does not reflect settled (and shared) intent	Any ex-post creation of, or amendment to a Volume Notification	Any ex-post creation of, or amendment to, a Volume Notification
TESTS FOR DECISION TO RECTIFY	<ul style="list-style-type: none"> • Prudent systems and processes • Prompt correction • Having regard to; directly attributable to BSC Systems, unforeseeable, disproportionate. 	<ul style="list-style-type: none"> • No 7-day report (for errors prior to 18.30, day ahead) • Notification after 18:30 day-ahead • RPO test (beyond reasonable doubt) • Written declaration (both Parties, where applicable) 	<ul style="list-style-type: none"> • Submission made by a Privileged ECVNA/MVRNA; independent, adequate performance, auditable and subject to penalties.
DECISION MAKING BODY	<ul style="list-style-type: none"> • Panel, but expect delegation to a Panel Committee • Appeal to Authority 	Panel, but expect delegation to a Panel Committee	Panel, but expect delegation to the TDC
CASH FLOWS	<ul style="list-style-type: none"> • £5k for claim • £5k for appeal • 20% retained on reimbursement. 	<ul style="list-style-type: none"> • £5k for claim • Full reimbursement 	<ul style="list-style-type: none"> • £500 for claim, but expect to amend to £5K • Full reimbursement • Limitation on number of claims
IMPLEMENTATION	<ul style="list-style-type: none"> • Use existing error correction process • Ad-hoc system to calculate retention • Panel Committee to consider evidence to be established 	<ul style="list-style-type: none"> • Use existing error correction process to enable correction • Panel Committee to consider evidence to be established 	Potentially modify ECVAA systems to enable correction

4.3 Materiality of Not 'Correcting' Volume Notifications Post Gate Closure

The Group considered the materiality of not 'correcting' Volume Notifications post Gate Closure and concluded that the benefit to be recouped could be significant based on that claimed in Modification Proposals P019 and P037.

4.4 Extent to Which Proposal Meets the Applicable BSC Objectives

The Group concluded that the Modification Proposal met 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'.

4.5 Alternative solutions considered by the modification group

The Group did not consider an Alternative Modification Proposal at their meeting on 12th November 2001. However it was noted that the questionnaire included in Appendix 1 had raised a number of questions which require further consideration:

- If both P037 and the Modification Proposal were approved for implementation, there would be a gap period in between in which no claims could be lodged. Should the Modification Proposal cover this requirement or should an Alternative Modification Proposal be raised to cover this gap period?

- The Modification Proposal makes no mention of an Error Correction Payment (ECP), however this was part of P037. Therefore should the Modification Proposal cover this requirement or should an Alternative Modification Proposal be raised to cover this detailed implementation requirement?

The questionnaire in Appendix 1 requires consideration by Parties and Party Agents to determine an appropriate way forward for consideration for the Group.

5. MECHANISMS PROPOSED IN P037

At its meeting on 12th November 2001, the Proposer of the Modification Proposal stated that wherever appropriate the mechanisms outlined in P037 should be incorporated in the Modification Proposal. The Group supported this view, therefore this section provides an overview of the changes proposed to the BSC for P037 and where it is intended that those be carried forward into the Modification Proposal. The extracted changes for P037 are included in Appendix 2.

5.1 Section P 'Energy Contract Volumes and Metered Volume Reallocations'

Below is an outline of the impact of the legal text changes to paragraph 6 'Past Notification Errors' and an indication of whether these would be carried forward into the Modification Proposal.

5.1.1 Meaning of Past Notification

The legal text proposed to paragraph 6.1 clarifies the meaning of what defines a past Volume Notification error and this paragraph applies equally to the Modification Proposal, albeit without reference to 'post' since this reflected the retrospective nature of P037.

5.1.2 Claiming Past Notification Errors

The legal text proposed to paragraph 6.2 clarifies the timescale by when a claim should be made, the associated administration fee which should be paid, the relationship with the counter Party, past claims which have been processed and refused claims as a result of credit rejections. All of the legal text within this paragraph applies with the exception of sub-paragraph 6.2.1 which states that a claim cannot be made after five Business Days after the Implementation Date of P037.

5.1.3 Flagging Past Notification Errors

The legal text proposed to paragraph 6.3 states that the BSCCo shall notify the relevant parties about the claim and this paragraph applies equally to the Modification Proposal.

5.1.4 Determination of Past Notification Errors

The legal text proposed to paragraph 6.4 outlines the process to be adopted by the Panel in determining the validity of a claim. Much of the legal tests outlined in this section will require amendment, particularly 6.4.7 and 6.4.8 which would need to be refined or replaced to reflect the definition of a RPO. Changes to Sub-paragraph 6.4.5, which states that BSSCo shall give instructions to the ECVAA, SAA and the FAA as necessary will also be required; only ECVAA will require such an instruction for the Modification Proposal.

5.1.5 Rectification of Past Notification Errors

The legal text proposed to paragraph 6.5 outlines what adjustments are required following the Panel determining that an error has occurred. All of the legal text within this paragraph applies with the exception of sub-paragaphs 6.5.3 to 6.5.6 inclusive. These sub-paragaphs outline the rules for calculating the Error Correction Payment which may or may not apply to the Modification Proposal.

5.1.6 Credit Arrangements

The legal text proposed to paragraph 6.6 outlines the credit arrangements to be applied where an error has occurred. This paragraph may or may not apply to the Modification Proposal.

5.1.7 Appeal to Authority

The legal text proposed to paragraph 6.7 outlines the appeal process. This paragraph may or may not apply to the Modification Proposal.

5.2 Section D 'BSC Cost Recovery and Participation Charges'

The legal text allows for the administration fee to be charged and linked with the Section P changes and these changes apply equally to the Modification Proposal.

5.3 Section G 'Contingencies'

The legal text identifies the contingency arrangements which would need to be put in place for P037 and these changes apply equally to the Modification Proposal.

5.4 Section M 'Credit Cover and Credit Default'

The legal text allows for Credit Cover and Credit Default rules to apply and this change will apply to the Modification Proposal.

5.5 Annex X-1 and X-2 'Definitions and Acronyms'

The two new definitions, 'Past Notification Error' and the 'Volume Data' and their associated acronyms would apply equally to the Modification Proposal.

APPENDIX 1 – P044 QUESTIONNAIRE

The questionnaire is appended to this paper.

APPENDIX 2 – PROPOSED LEGAL TEXT FOR P037

Below is the legal text that was drafted for P037 and has been submitted to the Authority for determination. This text has been extracted from the Urgent Modification Report (document reference P37_UMR_GEM).

The following text shall be inserted in Section P:

6. PAST NOTIFICATION ERRORS

6.1 Meaning of Past Notification Error

6.1.1 For the purposes of this Section P:

- (a) a **'Past Notification Error'** occurred in relation to the notification of Energy Contract Volume Data or Metered Volume Reallocation Data for a Settlement Period where and only where there was an error in the submission of a Volume Notification on the part of the Volume Notification Agent and/or the relevant Contract Trading Parties which was not rectified prior to Gate Closure for the relevant Settlement Period and where Gate Closure for such Settlement Period occurred prior to the date on which this paragraph 6 comes into effect;
- (b) references in this paragraph 6 to the submission of a Volume Notification:
 - (i) mean the submission of a particular Volume Notification; and
 - (ii) include a failure to submit a Volume Notificationand the provisions of this paragraph 6 shall be construed accordingly;
- (c) for the purposes of paragraph (a), an error in the submission of a Volume Notification will be considered to have occurred only where:
 - (i) the relevant Contract Trading Parties had, at the time of such submission, a demonstrably settled and (save in the case of paragraph 1.4.1) shared commitment to notify particular ascertained Volume Data for the Settlement Period in question; and
 - (ii) it is clear that a mistake occurred in giving effect to that commitment;
- (d) in relation to a claim of Past Notification Error:
 - (i) the "**relevant**" Volume Notification is the Volume Notification in respect of which the Past Notification Error occurred;
 - (ii) the "**relevant**" Volume Notification Agent is the Volume Notification Agent which submitted or failed to submit (as the case may be) the relevant Volume Notification;
 - (iii) the "**relevant**" Settlement Period is the Settlement Period in respect of which the Past Notification Error occurred;
 - (iv) a "**relevant**" Contract Trading Party is a Contract Trading Party in relation to which the Past Notification Error occurred; and

- (v) the "**rectified Volume Notification**" is the Volume Notification which would have been made had the Past Notification Error not occurred;
- (vi) the "**relevant**" Settlement Run, in relation to a claim or claims for Past Notification Error, is the next Settlement Run as referred to in paragraph 6.5.1(b);
- (e) in relation to a relevant Contract Trading Party, references to a Past Notification Error are to the Past Notification Error which has (or is alleged to have) occurred in respect of such Party;
- (f) "**Volume Data**" means Energy Contract Volume Data or Metered Volume Reallocation Data, as the case may be;
- (g) "**Relevant Account Energy Imbalance Cashflow**" means the Account Energy Imbalance Cashflow of an Energy Account of a relevant Contract Trading Party in relation to a relevant Settlement Period or, if claims for more than one Past Notification Error in respect of the same Volume Notification are made, the net aggregate amount of such Account Energy Imbalance Cashflows for all relevant Settlement Periods.

6.2 Claiming Past Notification Errors

- 6.2.1 Where a relevant Contract Trading Party considers that there has been a Past Notification Error, such Party may make a claim to that effect by giving written notice of such claim to BSCCo, identifying the Past Notification Error and the relevant Settlement Period, provided that no claim of Past Notification Error may be made after the expiry of five Business Days after the date on which this paragraph 6 comes into effect.
- 6.2.2 Where a relevant Contract Trading Party makes a claim of Past Notification Error, such Party shall pay a fee to BSCCo for each such claim, the amount of which (for each such claim, provided that, for the purposes of this paragraph 6.2.2 and subject to paragraph 6.2.4, claims of Past Notification Error made by a Party in respect of the same Volume Notification shall be treated as a single claim) shall be £5,000, or such other amount as the Panel may from time to time after consultation with Parties and the approval of the Authority, determine upon not less than 30 days notice to Parties, and which shall not be reimbursed in any circumstances
- 6.2.3 Where a relevant Contract Trading Party makes a claim of Past Notification Error (other than one to which paragraph 1.4.1 applies), the claim shall be accompanied by a statement in writing from the other relevant Contract Trading Party and, where the relevant Volume Notification Agent is not one of the relevant Contract Trading Parties, from the relevant Volume Notification Agent (addressed, in each case, to BSCCo for the benefit of all Contract Trading Parties) confirming that it considers that the Past Notification Error has occurred.
- 6.2.4 A claim of Past Notification Error may not be made in relation to a Volume Notification in respect of which a previous claim has been made (and, accordingly, if a relevant Contract Trading party wishes to claim Past Notification Errors in relation to more than one Settlement Period, a single claim must be made for all such errors).
- 6.2.5 A claim of Past Notification Error may be made in relation to a Volume Notification, notwithstanding that the Volume Notification was treated as rejected (in relation to the relevant Settlement Period) or refused, in accordance with paragraph 2.4 or 3.4, where the rectified Volume Notification (if submitted as described in paragraph 6.4.5) would not have been so treated, but without prejudice to paragraph 6.6.2.

6.3 Flagging Past Notification Errors

- 6.3.1 Where a Party gives notice of a claim of Past Notification Error under paragraph 6.2.1, BSCCo shall within one Business Day after receiving such notice notify the claim to the Energy

Contract Volume Aggregation Agent, all Contract Trading Parties, and the relevant Volume Notification Agent.

6.4 Determination of Past Notification Errors

- 6.4.1 The Panel shall consider and determine claims of Past Notification Error in accordance with this paragraph 6.4.
- 6.4.2 For the avoidance of doubt, the Panel may establish or appoint a Panel Committee to discharge its functions under this paragraph 6, and (notwithstanding Section W2.2) the Panel may appoint the Trading Disputes Committee, and (if so appointed) that Committee shall have the ability and competence, to do so.
- 6.4.3 Claims of Past Notification Error will be considered and determined in a timely fashion, but having regard (among other things) to the need first to establish appropriate central systems and processes to give effect to the requirements of this paragraph 6, the overall number of claims made and the time reasonably required to investigate each claim.
- 6.4.4 Where a claim of Past Notification Error is made:
- (a) the Panel Secretary shall request:
 - (i) the Party claiming the Past Notification Error to provide evidence and information supporting its claim;
 - (ii) the other relevant Contract Trading Party (if any) to provide evidence and information supporting the claim; and
 - (iii) the relevant Volume Notification Agent and the ECVAA to provide comments in relation to the claim;
 - (b) BSCCo shall:
 - (i) investigate the matters referred to in paragraph 6.4.7 (and each Trading Party shall provide BSCCo with such information as BSCCo may reasonably request for these purposes); and
 - (ii) provide the Panel with a report of its findings, a copy of which shall be made available to the Party claiming the Past Notification Error;
 - (c) the relevant Contract Trading Parties and the relevant Volume Notification Agent shall:
 - (i) provide the Panel with such further information as it may reasonably request to assist it in making its determination; and
 - (ii) confirm to the Panel that the evidence and information provided to the Panel are complete and not misleading;
 - (d) the Panel shall determine in its opinion:
 - (i) whether the Party claiming the Past Notification Error has demonstrated that there was a Past Notification Error in relation to the relevant Settlement Period;
 - (ii) if so, what the Past Notification Error was; and

- (iii) whether the Past Notification Error should in all the circumstances be rectified in relation to the relevant Settlement Period, subject to paragraphs 6.4.6 and 6.4.7,

and the Panel shall indicate its reasons for its determination;

- (e) the Panel Secretary shall notify the Panel's determinations to all Contract Trading Parties and the relevant Volume Notification Agent, together with the reasons indicated by the Panel for its determinations and a brief description of the process followed by the Panel in making its determinations;
- (f) BSCCo shall give such instructions to the ECVAA, SAA and FAA as are necessary to give effect to any such rectification;
- (g) the fee under paragraph 6.2.2 shall be invoiced as and included in determining BSCCo Charges for the relevant Party for the next month for which BSCCo Charges are invoiced following the notification of the Panel's determination under paragraph (e), and shall be paid accordingly.

- 6.4.5 The determination of the Panel (or any Panel Committee established or appointed under paragraph 6.4.2) as to each of the matters referred to in paragraph 6.4.4(c) shall be final and binding on all Parties, subject to paragraph 6.7.
- 6.4.6 Rectification of a Past Notification Error shall not be made if the rectified Volume Notification would have been invalid (pursuant to paragraph 2.3.4 or 3.3.4) or treated as rejected (in relation to the relevant Settlement Period) or refused (pursuant to paragraph 2.4 or 3.4) if such rectified Volume Notification had been submitted:
- (a) at the time at which the relevant Volume Notification was submitted; or
- (b) where the Past Notification Error is a failure to submit, immediately prior to Gate Closure for the relevant Settlement Period.
- 6.4.7 The Panel shall decline to rectify a Past Notification Error where it considers that the relevant Contract Trading Party and/or the relevant Volume Notification Agent did not (or the relevant Contract Trading Party has failed to demonstrate that it and/or the relevant Volume Notification Agent did):
- (a) at the time that the Past Notification Error occurred, have in place prudent systems and processes in connection with Volume Notifications, the question of whether such systems and processes were prudent to be judged in the light of the circumstances then prevailing; and/or
- (b) promptly take all appropriate steps:
- (i) to rectify, reverse or otherwise mitigate the effect of the error (giving rise to one or more such Past Notification Errors) in respect of Settlement Periods for which Gate Closure occurred after it became aware of such error; and
- (ii) to avoid a repetition of the said error, following discovery of the error.

- 6.4.8 For the purposes of paragraph 6.4.4(c), in determining whether or not, subject to paragraphs 6.4.6 and 6.4.7, a Past Notification Error should in all the circumstances be rectified, the Panel may have regard, among other things, to the following factors, where the Panel considers such factors to be relevant:
- (a) the extent to which, in the Panel's view, the Past Notification Error was directly attributable to a failure of BSC Systems, subject to paragraph 6.4.9;

- (b) the extent to which, in the Panel's view, the Past Notification Error was directly attributable to an inaccuracy in or the non-availability of the Forward Notification Summary as referred to in Table 3 of Annex V-1 but otherwise without prejudice to the provisions of Section V1.1.4;
 - (c) the extent to which, in the Panel's view, the Past Notification Error and/or the magnitude of the loss suffered by the relevant Contract Trading Parties in respect of Trading Charges as a result of the error was attributable to a combination of circumstances which could not reasonably have been foreseen; or
 - (d) the extent to which, in the Panel's view, the magnitude of the loss suffered by one or both of the relevant Contract Trading Parties in respect of Trading Charges as a result of the Past Notification Error was wholly disproportionate, due weight being given to the desirability of incentivising Contract Trading Parties to avoid mistakes in the submission of Volume Notifications.
- 6.4.9 For the avoidance of doubt, no claim may be made under this paragraph 6 in respect of a Volume Notification to which the provisions of paragraph 5 apply.
- ## 6.5 Rectification of Past Notification Errors
- 6.5.1 Where the Panel determines that a Past Notification Error occurred and should be rectified:
- (a) the Panel shall determine what adjustments are required to the relevant Account Bilateral Contract Volumes, Metered Volume Fixed Reallocation and/or Metered Volume Percentage Reallocation (as the case may be) in order to rectify the Past Notification Error as determined by the Panel;
 - (b) such adjustments shall be made as soon as is practicable, and shall be taken into account in the next Settlement Run for the relevant Settlement Period after such adjustments have been made.
 - (c) if the Final Reconciliation Settlement Run for the relevant Settlement Period has already taken place before the Panel has made its determination under 6.5.1, such adjustments shall be made as soon as is practicable, and shall be taken into account in an Ad Hoc Settlement Run for the relevant Settlement Period after such adjustments have been made.
- 6.5.2 Where, in relation to a claim for Past Notification Error (or, if claims for more than one Past Notification Error in respect of the same Volume Notification are made, in relation to the sum of all such claims in aggregate), the adjustments to the data as determined pursuant to paragraph 6.5.1 result in a reduced debit or increased credit in the Relevant Account Energy Imbalance Cashflow of the relevant Contract Trading Parties (or either of them individually), such Party or Parties shall be liable to pay to the BSC Clearer the Error Correction Payment(s) applicable to its or their Energy Account(s) in accordance with the further provisions of this paragraph 6.5.
- 6.5.3 BSCCo shall calculate the Error Correction Payment (ECP_a) for those Energy Account(s) of the relevant Contract Trading Party(ies) for which adjustment of the data as determined pursuant to paragraph 6.5.1 results in a reduced debit or increased credit in the Relevant Account Energy Imbalance Cashflow as follows:

$$ECP_a = \min\{0.2 * \max(\sum_j (NQAEI_{aj} - QAEI_{aj}), 0), MECP\}$$

where:

- (a) \sum_j is the sum over all relevant Settlement Periods j relating to the relevant Volume Notification;
- (b) $QAEI_{aj}$ is the Account Energy Imbalance Cashflow determined by the relevant Settlement Run for Energy Account a and relevant Settlement Period j ;

- (c) NQAEI_{aj} (the non-corrected Account Energy Imbalance Cashflow) is the value which would have been the value of QAEI_{aj} for Energy Account a and relevant Settlement Period j, had the Past Notification Error not been rectified; and
 - (d) MECP is £200,000.
- 6.5.4 In relation to Past Notification Errors, the amount of the Error Correction Payment(s) made by the relevant Contract Trading Parties shall be paid by the BSC Clearer to Trading Parties by way of Error Correction Payment Reallocation in accordance with this paragraph 6.5.
- 6.5.5 Where an Error Correction Payment is payable, BSCCo shall calculate the Error Correction Payment Reallocation (ECPR_a) for each Energy Account of each Trading Party as follows:
- (a) if rectification of the relevant Past Notification Error(s) in respect of which the Error Correction Payment is payable results in a reduced debit or increased credit (or net reduced debit or increased credit) in the Account Energy Imbalance Cashflow for Energy Account a, then:
$$ECPR_a = 0$$
 - (b) otherwise:
$$ECPR_a = ECP_a * \sum_j RCRP_{aj} / \sum_j \sum_a RCRP_{aj}$$
where:
 - (i) \sum_j is the sum over all relevant Settlement Periods j relating to the relevant Volume Notification;
 - (iii) \sum_a is the sum over all Energy Accounts a other than those referred to in paragraph (a).
- 6.5.6 The amounts of the entitlements and liabilities under paragraphs 6.5.3 and 6.5.5 shall be Ad Hoc Trading Charges for the purposes of Section N6.9.

6.6 Credit Arrangements

- 6.6.1 Where a Past Notification Error is rectified, the rectification shall be taken into account for the purposes of the determination of the relevant Contract Trading Parties' Credit Cover Percentages in relation to Settlement Periods for which Gate Closure occurs after, but not earlier than, the time of the rectification.
- 6.6.2 In accordance with paragraph 6.6.1:
- (a) where, in accordance with Section M, a relevant Contract Trading Party was treated before the time of the rectification as being in Credit Default and would not have been so treated had the rectified Volume Notification been submitted:
 - (i) Section M3.5 shall not apply, and such Party shall not be entitled to any right or remedy in respect of being so treated; and
 - (ii) to the extent that, as a result of such Party being so treated, any other Volume Notification was treated as rejected (in relation to any Settlement Period) or refused in accordance with paragraph 2.4 or 3.4, such refusal or rejection shall not be affected or prejudiced by the rectification of the Past Notification Error and Section M4 shall not apply in relation thereto;
 - (b) where, in accordance with Section M, a relevant Contract Trading Party would have been treated before the time of the rectification as being in Level 2 Credit Default had the rectified Volume Notification been submitted, and was not so treated, the rectification of the Past Notification Error shall not affect or prejudice any other Volume Notification which was not treated as refused before, or rejected as to Settlement Periods for which Gate Closure was before, the time of the rectification.

6.6.3 For the purposes of this paragraph 6.6, the time of the rectification of a Past Notification Error is the time with effect from which the ECVAA enters into its BSC Agent System the adjustments determined under paragraph 6.5.1.

6.7 Appeal to Authority

6.7.1 Where the Panel (or Panel Committee) makes a determination pursuant to paragraph 6.4.4(d), any Party may refer such determination to the Authority subject to the further provisions of this paragraph 6.7.

6.7.2 A reference to the Authority pursuant to paragraph 6.7.1 shall be made:

- (a) no later than five Business Days after the relevant determination is notified to all Contract Trading Parties under paragraph 6.4.4(e);
- (b) solely on one or both of the grounds set out in paragraph 6.7.3;
- (c) by notice in writing to the Authority, copied to the Panel Chairman, setting out the grounds upon which the reference is made and the reasons why the Party making such reference believes that the Authority should exercise its powers set out in paragraph 6.7.4 (as the case may be); and
- (d) subject to payment by the Party making such reference of a fee of £5000 (in respect of each such reference or, where more than one reference is made at the same time in relation to the same Volume Notification, in respect of all such references together), such fee to be invoiced and paid in accordance with the provisions, mutatis mutandis, of paragraph 6.4.4(g).

6.7.3 The grounds referred to in paragraph 6.7.2(b) are either:

- (a) the procedures set out in this paragraph 6 have not been followed in relation to the claim of Past Notification Error(s) forming the subject of the relevant determination; or
- (b) new information has emerged since the relevant determination was made, which is or is likely to be of relevance to the determination.

6.7.4 Where a determination of the Panel (or Panel Committee) is referred to the Authority pursuant to paragraph 6.7.1, and provided the Authority is satisfied that one of the grounds referred to in paragraph 6.7.3 applies, the Authority may:

- (a) substitute for the Panel's (or Panel Committee's) determination its own determination of the matter(s) forming the subject of such determination; or
- (b) remit the matter(s) back to the Panel (or Panel Committee) to be decided again in accordance with the procedures of this paragraph 6 or in the light of the new information which has emerged (as the case may be); or
- (c) uphold the relevant determination.

6.7.5 The decision of the Authority shall be final and binding.

6.7.6 The Panel (or Panel Committee) and the Authority shall not act as an expert or an arbitrator in making any decisions pursuant to this paragraph 6 and the provisions of the Arbitration Act 1996 shall not apply in respect of any such decisions.

Section D

The following text shall be inserted in Section D4.1(a)(v):

- (v) any amounts paid to BSCCO by way of fee pursuant to Section P6.2.2, Section P6.7.2 or Section Q7.2.3;

Section G

The following text shall be inserted as a new Section G1.1.2(b) and the existing Section G1..1.2(b) and remaining paragraphs of Sections G1.1.2 shall be renumbered accordingly:

- (b) Section P6, which addresses the possibility of notification errors in the submission of Volume Notifications;

Section M

The following text shall be inserted as a new Section M3.5.2 and the title Section M3.5 shall be amended to read "Result of Trading Dispute, etc":

- 3.5.2 This paragraph 3 and paragraph 4 are subject to the provisions of Section P6.

Annex X-1

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

"Past Notification Error" has the meaning given to that term in Section P6.1.1(a);

"Volume Data" has the meaning given to that term in Section P6.1.1(f);

Annex X-2

The following new terms and acronyms shall be inserted in Table X-2 of Annex X-2:

Defined Term	Acronym	Units	Definition/Explanatory Text
Error Correction Payment	ECP _a		The payment amount calculated in accordance with Section P6.5.3.
Error Correction Payment Reallocation	ECPR _a		The payment reallocation amount calculated in accordance with Section P6.5.5.

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As above, *subject to the following:*

Section P6.5.3 shall instead read as follows:

- 6.5.3 BSCCo shall calculate the Error Correction Payment (ECP_a) for those Energy Account(s) of the relevant Contract Trading Party(ies) for which adjustment of the data as determined pursuant to paragraph 6.5.1 results in a reduced debit or increased credit in the Relevant Account Energy Imbalance Cashflow as follows:

$$ECP_a = 0.2 * \max (\sum_j (NQAEI_{aj} - QAEI_{aj}), 0)$$

where:

- (a) \sum_j is the sum over all relevant Settlement Periods j relating to the relevant Volume Notification;
- (b) $QAEI_{aj}$ is the Account Energy Imbalance Cashflow determined by the relevant Settlement Run for Energy Account a and relevant Settlement Period j;
- (c) $NQAEI_{aj}$ (the non-corrected Account Energy Imbalance Cashflow) is the value which would have been the value of $QAEI_{aj}$ for Energy Account a and relevant Settlement Period j, had the Past Notification Error not been rectified; and

APPENDIX 3 - AUTHORITY DETERMINATION ON P019

On 1st August 2001, the Authority provided a decision and notice in relation to P019. This section highlights the key factors which should be taken into account in progressing the Modification Proposal. The Authority stated:

- "Ofgem is of the opinion that it is essential that there should be strong incentives on BSC Parties to deliver correction notifications. If the incentives to have robust risk management systems in place are inadequate, it is likely that notifications would need to be frequently adjusted for errors that could adversely affect the efficient administration of the BSC. A correction mechanism for erroneous notifications may also create a possibility of intentional post Gate Closure adjustments to traded quantities. There could be a risk of undermining the strong commercial incentives on participants to balance their own positions ahead of real time" (paragraph 18).
- "It was specifically noted in the NETA Programme/ELEXON consultation document for Manifest Errors in Balancing Mechanism Transactions that at NETA Go-Live there would be no manifest error provisions for the notification of energy contract volumes or metered volume reallocations. The consultation document stated that it was expected that the industry would put in place appropriate legal and practical arrangements to manage the risk of errors. It went on to say that BSC Parties "would, of course be free to make a modification proposal post Go-Live to address this issue, should they wish" (paragraph 19).
- "While understanding that it may be impossible to eliminate completely the element of human error or software error, Ofgem reserves that BSC Parties have a clear knowledge of the timing of Gate Closure and can, in conjunction with the reporting systems available, take a view on how close to that time they wish to notify and to what extent they wish to check and correct such notifications in the light of the known risk they would be facing. We also note that those Parties who wish to reduce the risk of notification errors can provide additional opportunity for checks by contracting these services elsewhere, for example, with independent dual-notification agents" (paragraph 21).
- "As noted above, Ofgem considers that a key feature of the NETA arrangements underpinning the incentives on Parties to balance their positions is that Parties take active responsibility for the accurate notification of the energy transfer quantities. In the foreknowledge of the risks, many Parties will take care in their notifying arrangements and systems to avoid such errors and the consequences of such errors. Others will choose to use independent agents to notify on their behalf or use the power-exchanges to trade close to Gate Closure. It is not clear whether more trading would take place off the exchanges close to Gate Closure, were an error correction mechanism to be available" (paragraph 23).