

Modification Proposal	MP No: 44 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test.	
Submission Date <i>(mandatory by proposer):</i> 8 October 2001	
<p>Description of Proposed Modification <i>(mandatory by proposer):</i></p> <p>This proposal assumes that in the main BSC Parties are able through robust checking processes and systems to minimise the probability of notification errors. Nevertheless, there are specific circumstances in which BSC Parties and ECVNAs are unable to check submitted data where reports are not received from the ECVAAs showing within day notifications and contracted positions.</p> <p>It is proposed that BSC Parties should be able to apply to the BSC Panel requesting the <i>ex post</i> creation of new ECVNs/MVRNs or amendment of a previously submitted ECVN/MVRN when either:-</p> <ul style="list-style-type: none"> • The notification in question had, as part of normal operations¹, to be submitted after 18:30 of the day preceding the 'effective from' date of the notification (i.e. after 18:30 on D-1)², • The E0221 Forward Contract Report had not been sent to any of the BSC Parties involved, <p style="padding-left: 40px;">provided</p> <ul style="list-style-type: none"> • 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 notification errors happening in the first place and minimise the impact of errors should they actually occur and • The claim is supported by both parties in the case of inter-company transactions and a Director/Company Secretary in the case of intra-company transactions. <p>For avoidance of doubt the above would not apply retrospectively to errors made prior to implementation of this proposal.</p> <p>Any claim would have to be submitted by 17:00 of the first Business Day following the 'effective day' and would be subject to a non-returnable administration fee of £5,000. In considering whether the claimant has acted as an RPO the Panel would be required to judge a claim against best industry practice (suggested examples of industry best practice are shown in Appendix A). The Panel would also have the power to limit the scope of any claim (which may be made up of a series of similar errors across consecutive periods) to periods during which the claimant has acted as an RPO. In addition they would have to be satisfied that the 'correct' quantities are capable of being verified beyond reasonable doubt by the claimant and other involved parties.</p>	

¹ Under normal operations an RPO is likely to change or re-submit notifications close to gate-closure to (a) reflect operational failures or (b) fine tune earlier forecasted quantities.

² Claims under this point would not be permitted once improved ECVAAs reporting (MP4) has been implemented.

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Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i>	
<p>Notifications submitted before 18:30 of the day before their 'effective from' date will be 'echoed back' to both affected trading parties on the E0221 Forward Contract Report (7 Day Report). Both counter-parties can validate the notifications on the report against their internal trade database to confirm that the notification creation and despatch process has worked correctly. In the same way, day-ahead notifications that transfer of energy between production and consumption accounts or between parties within an affiliated group can be validated by at least one of the parties in the group.</p> <p>Unfortunately, no such facility is available for notifications that have to be submitted after 18:30 of the day before their 'effective from' date. The ECVNA will receive an 'ACK' (acknowledgement) to say that the notification was capable of validation by the ECVAA, and if nothing more is heard can assume that the notification has been loaded. The non-notifying party (or parties if a 3rd party ECVNA is being used) hears nothing. Non of the parties involved can be sure that the notification process has been successfully completed.</p> <p>It is not just the adjustment to the position that is put at risk. Many parties use over-write methodologies to notify both net traded positions with counter-parties and internal transfers. The introduction of a minor error into the notification creation process (e.g. multiplication by minus 1) can have a major impact on the final notified position of a party, even if the new information that was meant to be notified was a small quantity.</p> <p>The planned introduction of Improved ECVAA Reporting prompted by MP4 indicates that there is a recognised problem. This modification proposal merely seeks to address the increased risk faced by parties that have no choice but to notify close to gate-closure.</p>	
Impact on Code <i>(optional by proposer):</i>	
Section P of the BSC will have to be modified.	
Impact on Core Industry Documents <i>(optional by proposer):</i>	
N/A	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i>	
Existing processes for <i>ex post</i> notifications can be used. A BSCP to manage the process will be needed	
Impact on other Configurable Items <i>(optional by proposer):</i>	
None	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i>	
<p>The proposal will reduce the risk associated with trading close to gate-closure, where parties legitimately need to amend their balance position at a late stage. In so doing the modification proposal better fulfils the relevant objectives by improving the efficiency of the market, promoting effective competition in generation and supply.</p>	

Modification Proposal

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BSCCo)*

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If Yes, Title and No. of Pages of Each Attachment:

Examples of actions of a reasonable and prudent operator (RPO) with respect to MVRNs and ECVNs are shown in Appendices A and B.

Appendix A

Suggested Examples of the actions of a Reasonable and Prudent Operator (RPO) with respect to MVRNs and ECVNs

(The examples below are intended to be indicative and should not be seen as an exhaustive list).

All systems and processes should demonstrably have been subjected to an appropriate testing regime.

Under the current ECVAA User Requirements Specification it is acknowledged that '100% MVRNs' are a convenient and low-risk method of consolidating physical volume and should be used in preference to individual notifications

For a claim to succeed the claimant should demonstrate:-

- for bilateral trades entered into:-
 - before 18:00 of the day before the claim day adherence to GTMA Schedule 3B, clause 5.1 (see Appendix B), or a similar bilateral agreement;
 - on the day before the claim day that a reasonable attempt was made to resolve a difference identified by the Schedule 3 type processes;
 - after 18:00 of the day before the claim day that robust processes were in place at both itself and its counterparty to minimise the risk of an incorrect notification.

- for physical volume being transferred within an affiliated group, either by MVRNs or ECVNs :-
 - that a best view of the volume (e.g. IPN quantities) had been notified in time to be reflected on the ECVAA Forward Contract Report (7 Day Report), giving assurance of the notifier's process and a backstop notification in case of subsequent ECVNA system failure;
 - that robust procedures were in place to cover non-working days
 - that robust procedures were in place to monitor within-day adjustments to the physical transfer. These procedures could include:-
 - Manual review of files being sent to the ECVAA to validate the sign and sensible magnitude of a notification;
 - Daily checklists to enable confirmation that expected adjustments of the position have been made;

- that the validation processes based on the 7 Day Report make full use of the reports features e.g. its removal of the 'from and to' signing associated with the ECVNAA id;
- that robust procedures were in place surrounding the setting up and amendment of ECVNAA data to ensure that the correct data was in place and that the transfer direction was understood
- that the above processes are auditable and can provide evidence to enable the Panel or its appointed representative to verify the legitimacy of any notification error claim.

Appendix B

Extract from a typical Grid Trade master Agreement (GTMA) – Clauses 4.2, 5.1 and 5.5 describe actions and responsibilities of parties that should help reduce the likelihood of Notification Errors

SCHEDULE 3B

CONTRACT PARTY NOTIFICATION AGENT APPROACH

If, in Schedule 2, the contract Party notification agent approach and Schedule 3B is specified, then the clauses of the Master Agreement referred to below shall be replaced by the following clauses:

1. Replace clauses 4, 5 and 6 with the following:

"4. ECV NOTIFICATION AGENT AUTHORISATION

4.1 ECV NOTIFICATION AGENT

4.1.1 For the purpose of each Transaction, the ECV notification agent (the "ECV Notification Agent") shall be the Party whom the Parties have agreed shall act as such **and that Party shall act as ECV Notification Agent in respect of all transactions other than those which are to be first notified on the day in which the Settlement Period to which they relate occurs. If the Parties have not agreed an ECV Notification Agent, the ECV Notification Agent for a Transaction shall be the Seller for that Transaction.**

4.2 NON-VALIDATION OF ECV NOTIFICATION AGENT AUTHORISATION

4.2.1 If, at any time during a Transaction Term, the ECV Notification Agent does not have an ECV Notification Agent Authorisation for the Energy Accounts applicable to the relevant Transaction, each Party shall do all things reasonably necessary in co-operation with the other, to ensure that the ECV Notification Agent obtains and maintains that ECV Notification Agent Authorisation as soon as practicable and that in the interim all ECV Notifications in respect of the Transaction are made.

4.2.2 In the case of the initial application for the ECV Notification Agent Authorisation relevant to a Transaction, each Party shall do all things reasonably necessary in co-operation with the other to ensure that the ECV Notification Agent obtains an ECV Notification Agent Authorisation for the Energy Accounts applicable to that

Transaction prior to the ECV Notification Deadline applicable to the first Settlement Period of the Transaction Term and, to the extent possible, prior to each of the notification times set out in clause 5.1 for that Settlement Period.

4.3 NO TERMINATION OF ECV NOTIFICATION AGENT AUTHORISATION

Without prejudice to clauses 12.2 (Suspension) and 12.6 (ECV Notification Withdrawal, Cancellation and Termination) and in respect of a Transaction, neither Party shall terminate an ECV Notification Agent Authorisation that has been validated by the ECV Aggregation Agent without the written consent of the other Party (which shall not be unreasonably withheld or delayed) during the Transaction Term.

5. ECV NOTIFICATIONS

5.1 NOTIFICATION REQUIREMENT

Unless otherwise agreed and subject to clause 5.6 (Cancellation of Default Settings), for each of any of the 48 Settlement Periods (or 46 or 50 as the case may be for daylight saving days) in any day (“each a “Relevant Settlement Period”) for which the Settlement Period Volume is other than zero in any day and each combination of the Parties’ respective Energy Accounts, the ECV Notification Agent shall make Accurate ECV Notifications in accordance with the following timetable:

	Transactions in respect of which notifications are to be made	Time Accurate ECV Notifications required to be made
1	All Transactions entered into at any time prior to 18.00 on the day falling 7 days prior to the day on which the Relevant Settlement Period falls..	On the day which falls not more and not less than 7 days prior to the day on which the Relevant Settlement Period falls, before 18.15.
2	All Transactions entered into during the 24 hour period prior to 18.00 on any day falling less than 7 days prior to the day on which the Relevant Settlement Period(s) falls.	Before 18.15 on the same day

3	All transactions entered into at or after 18:00 on the day immediately before the day in which the Relevant Settlement Period(s) falls.	As soon as reasonably practicable.

5.2 ACCURATE ECV NOTIFICATION

5.2.1 "Accurate ECV Notification" means in respect of an ECV Notification Agent and a Settlement Period, the last ECV Notification made prior to the ECV Notification Deadline in the format required by the ECV Aggregation Agent and which identifies for all Transactions (for which the ECV Notification is required according to the timetable in clause 5.1) relating to the relevant Settlement Period and combination of the Parties' respective Energy Accounts:

- (a) the ECV Notification Agent;
- (b) the Net Settlement Period Volume (or the Settlement Period Volume where there is only one relevant Transaction) to be taken into account as at the ECV Notification Deadline as an Energy Contract Volume, overwriting (unless otherwise agreed) any previous ECV Notification made by the relevant ECV Notification Agent for the Settlement Period;
- (c) the relevant Energy Account of each Party being the Energy (From) Account of one Party and the Energy (To) Account of the other (which will require correctly specifying in accordance with the relevant Transactions the Net Settlement Period Volume (or the Settlement Period Volume where there is only one Transaction) as either positive or negative as it relates to each Party);
- (d) such other information as is required (including under the Balancing and Settlement Code) for the Settlement Period Volume stated in the ECV Notification to be taken into account by the Settlement Administration Agent in determining the respective Account Energy Imbalance Volumes of the relevant Energy Accounts of the Parties for that Settlement Period,

("ECV Notification Information") and an ECV Notification that, when made at one of the time periods required in accordance with the timetable at clause 5.1, is an Accurate ECV Notification, shall cease to be an Accurate ECV Notification at the expiry of the next subsequent time period that an Accurate ECV Notification is required to be made in

accordance with such timetable, or, where there is no such subsequent time period specified in the timetable, at the ECV Notification Deadline, if all Transactions taken into account in such ECV Notification no longer (at such next time or the ECV Notification Deadline, as the case may be) constitute all the Transactions between the Parties relating to that Relevant Settlement Period and combination of the Parties' respective Energy Accounts.

5.3 OTHER INFORMATION

If, for the purpose of making an Accurate ECV Notification, a Party requires any ECV Notification Information which it does not possess and cannot, using reasonable endeavours, obtain, then that Party may give notice to the other Party specifying what ECV Notification Information it requires, and if the other Party possesses or can, using reasonable endeavours, obtain that ECV Notification Information, the other Party shall furnish it to the ECV Notification Agent as soon as reasonably practicable.

5.4 WITHDRAWAL OF NOTIFICATION

Except as provided in this clause 5, clause 12.2 (Suspension) or clause 12.6 (ECV Notification Withdrawal, Cancellation and Termination), neither Party shall withdraw, cancel, amend or replace an ECV Notification without the prior consent of the other Party (which consent shall not be unreasonably withheld or delayed).

5.5 INACCURATE NOTIFICATION

Both Parties shall promptly check the 7 day report issued by the ECVA (the "7 Day Report") and either Party shall promptly issue a rejection notice to the other Party if it considers that the 7 Day Report does not accurately contain the Notifications it believes should have been made. The rejection notice shall clearly identify those ECV Notifications which the issuing Party considers to be inaccurate. If by 20.00 on any day on which a Party receives a 7 Day report, a Party shall not have issued a rejection notice relating to that report, that Party shall be deemed to have confirmed the accuracy of that report.

If a rejection notice is issued each Party shall take all reasonable steps to resolve the matter and ensure Accurate ECV Notifications are made. If the Parties cannot agree on the amendments needed to make an Accurate ECV Notification, both Parties will exchange their determination of the correct position to be notified, either in writing or on recorded telephone lines (where such exchange is in writing this will include facsimile). The Party who is the ECV Notification Agent shall decide to make an ECV Notification in accordance with either his

determination of the correct position, as reported to the non-Notifying Party, or in accordance with the non-Notifying Party's determination of the correct position, as reported to the Notifying Party. The Party whose determined position is so notified shall be a Non-Complying Party for the purposes of clause 6.2 in the event that such ECV Notification is not an Accurate ECV Notification.