

March 2002

MODIFICATION REPORT
MODIFICATION PROPOSAL P36 -
The generation of Bid - Offer
Acceptances relating to energy
delivered as a result of providing
Applicable Balancing Services

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

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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

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

- **The Proposed Modification P36, as set out in section 5.1 of this Modification Report, should not be made; and**
- **The P36 Alternative Modification, as set out in section 5.2 of this Modification Report, should be made with an Implementation Date of 1 December 2002, effective on a Settlement Day basis¹.**

1.2 Background

Modification Proposal P36, 'The generation of Bid - Offer Acceptances relating to energy delivered as a result of providing Applicable Balancing Services', was raised by Innogy plc on 10 September 2001. The Panel, in considering the Initial Written Assessment for Modification Proposal P36, determined that Modification Proposal P36 be assessed by the Pricing Issues Modification Group in conjunction with Modification Proposal P34.

Modification Proposal P36 seeks to allocate the volume of energy attributable to the provision of certain 'applicable' balancing services to Bid - Offer Acceptances, thus excluding this energy from the application of imbalance charges (Energy Imbalance, Information Imbalance and Non Delivery Charges). Modification Proposal P36 requires that the definition of the balancing services to which this mechanism should apply (the 'Applicable Balancing Services') should sit under the provisions of the BSC, as should the methodology associated with the calculation of the attributable volumes.

Modification Proposal P34, 'Transfer of Imbalances caused by Balancing Services to the Transmission Company Energy Account' was raised by the Transmission Company on 14 August 2001.

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

Modification Proposal P34 requires that the definition of the balancing services to which this mechanism would apply and the methodology for the calculation of the energy volumes associated with the provision of such balancing services, be defined by the Transmission Company and approved by the Authority, with the governance falling outside of the provisions of the Balancing and Settlement Code (proposed by the Transmission Company to fall under the Transmission Licence). Modification Proposal P34 also implies a retrospective implementation date of 23 August 2001, (as a consequence of the request (subsequently not granted) that it be afforded urgent status).

During the Assessment Procedure, the PIMG met a further six times and conducted three consultations (details of the Assessment Procedure and associated consultations can be found in the Assessment Report for Modification Proposal P36 (MAR03436_20)). The PIMG developed an Alternative Modification

¹ This means that there will be no impact on Settlement Runs for Settlement Days prior to the Implementation Date.

to the Proposed Modification P36, which they believed better facilitated achievement of the Applicable BSC Objectives.

The P36 Alternative Modification is based upon a combination of the Alternative Modification P34 and the Proposed (original) Modification P36. The PIMG felt that this covered all aspects of balancing service provision, as the original Modification Proposal P36 effectively excluded balancing service providers who are:

- Not the Lead Party of the BM Unit; and / or
- Not active participants in the Balancing Mechanism.

Therefore, by including the mechanism proposed by Modification P34, all balancing service providers can benefit from the Modification.

It should be noted that, as a consequence of undertaking the assessment of Modification Proposal P34 in conjunction with Modification Proposal P36, the Assessment Report (MAR03436 v2.0, available on the BSC Website²) contains the details of the Assessment Procedure, and the associated recommendations of the PIMG, for both Modification Proposals P34 and P36 and their Alternatives.

The Assessment Report was considered by the Panel at their meeting of 14 February 2002, and the Panel agreed to submit Modification Proposal P36 to the Report Phase, with a provisional recommendation to the Authority that:

- The Proposed Modification P36 should not be made; and
- P36 Alternative Modification should be made with an Implementation Date of 1 December 2002.

The draft Modification Report, containing this provisional recommendation was consulted on, and subsequently provided to the Panel for consideration at their meeting of 14 March 2002. At that meeting, the Panel noted that there were no new, substantive arguments contained within the consultation responses, and reconfirmed their provisional recommendations to the Authority.

1.3 Rationale for Recommendations

The Panel agreed with the PIMG view that a balancing service provider should not have exposure to imbalance payments on the energy deemed to have been delivered in the provision of such balancing service. Therefore the Panel supported the principle of the Modification Proposal.

The Panel noted that the Alternative Modification P36 is a composite of Alternative Modification P34 and Proposed Modification P36, with the governance for the definition of the balancing services and the methodology for calculating the energy volumes associated with the provision of such balancing services under the provisions of the BSC (although it should be noted that the Alternative Modification P36 places governance under the BSC via a Framework document, rather than by inclusion of the methodology within the body of the Code (as required by Modification Proposal P36)). The payments associated with the delivery³ of balancing services dealt with under the P36 route would fall under the BSC, whilst the governance for payments associated with balancing services dealt with via the Alternative Modification P34 would remain under existing arrangements, (namely the CUSC, Ancillary Service Agreements and Commercial Services Agreements).

The Panel (majority) supported the PIMG view that placing the definition of the balancing services and the associated methodology for the volume calculation in a framework document to the Code would

² www.elexon.co.uk/ta/modifications/modsprops/P034/P34P36_AR_v2.pdf

³ It should be noted that payments associated with the retention of the service will remain under the CUSC / Ancillary Services Agreements.

better, (and continue to better) facilitate achievement of the Applicable BSC Objectives than the existing situation, as the rationale behind the definition of the balancing services and the associated methodology / calculation of the associated energy volumes could only be amended such that it continues to better facilitate achievement of the Applicable Objectives of the BSC, via a mechanism transparent to BSC Parties.

The Panel noted that the implementation of either the Proposed Modification P36 or the P36 Alternative Modification would have a material impact on documentation (BSC and Transmission Company) and BSC Systems. The Panel also noted the implementation and development costs associated with the Proposed Modification P36 and the Alternative Modification P36:

- For the Proposed Modification P36 - £290,000, comprising £190,000 for BSC Agent System development and £100,000 for ELEXON development and implementation within an ELEXON BSC Systems Release Project; and
- For the P36 Alternative Modification - £330,000, comprising £230,000 for BSC Agent System development and £100,000 for ELEXON development and implementation within an ELEXON BSC Systems Release Project.

The Panel noted that the Proposed Modification P36 limited the benefits of the removal of exposure to imbalance to Lead Parties of BM Units who are also active in the Balancing Mechanism, whereas the P36 Alternative enabled all balancing services providers to benefit from the Modification. On this basis, the Panel agreed with the Modification Group's assertion that Proposed Modification P36 could be considered to be discriminatory, by limiting the benefits in such a way.

On this basis, since the Alternative Modification P36 extended the benefits of the Modification to all balancing services providers it better facilitates achievement of the Applicable BSC Objectives that the Proposed Modification P36, particularly in respect of competition, the Panel agreed to recommend to the Authority that Proposed Modification P36 should not be made and that P36 Alternative Modification should be made, with an Implementation Date of 1 December 2002.

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

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

An electronic copy of this document can be found on the BSC website, at www.elexon.co.uk

3 HISTORY OF PROPOSED MODIFICATION

Modification Proposal P36 'The generation of Bid - Offer Acceptances relating to energy delivered as a result of providing Applicable Balancing Services' was raised by Innogy plc on 10 September 2001. This Modification Proposal was similar to one of the options explored as an alternative to Modification Proposal P34, and sought to address similar issues to Modification Proposal P34. In recognition of this, the Panel, in considering the Initial Written Assessment for Modification Proposal P36, determined that Modification

Proposal P36 be assessed by the PIMG in conjunction with Modification Proposal P34, and that the Assessment Report for each of the Modification Proposals, P34 and P36, be submitted to the Panel meeting of the 15 November 2001 for consideration.

Modification Proposal P36 seeks to allocate the volume of energy attributable to the provision of certain 'applicable' balancing services to Bid - Offer Acceptances, thus excluding this energy from the application of imbalance charges (Energy Imbalance, Information Imbalance and Non Delivery Charges) and bringing payments for the delivery of energy attributable to the provision of balancing services under the Code. The Modification Proposal requires that the definition of the balancing services to which this mechanism should apply (the 'Applicable Balancing Services') should sit under the provisions of the BSC, as should the methodology associated with the calculation of the attributable volumes.

Modification Proposal P36 asserts that current payments for balancing services do not provide adequate incentive to deliver the contracted levels of services, since delivery (under current arrangements) does not reduce imbalance exposure. Therefore, the Modification Proposal seeks to incentivise balancing service providers to deliver as contracted / instructed by introducing an exposure to imbalance and Non Delivery charges for incorrect delivery.

Modification Proposal P36 differs from Modification Proposal P34 in two fundamental ways:

1. The mechanism proposed for achieving the objective: Namely allocating the energy attributable to the provision of balancing services to a Bid - Offer Acceptance (P34 seeks to transfer the energy to the Energy Account of the Transmission Company); and
2. Modification Proposal P34 requires that any definition of the balancing services and associated methodology comes under the provisions of the Transmission Licence, Modification Proposal P36 requires that the definition of the 'Applicable Balancing Services', the associated methodology for calculation of the attributable energy volumes, and the payment for the delivery of this energy, comes under the provisions of the BSC.

3.1.1 Modification Proposals P34 and P36

The PIMG met on 28 September 2001 to continue the assessment of Modification Proposal P34 and to commence assessment of Modification Proposal P36 and to agree an interim report for both Modification Proposals (P34 and P36) for consideration at the Panel meeting of 18 October 2001. The PIMG considered the consultation responses to Modification proposal P34 and discussed the next steps in the assessment procedure for both Modifications. The PIMG agreed that, given the complexity of the Modifications and the issues required to be addressed for the completion of the Assessment procedure, an extension to the Assessment Procedure for both Modification Proposals would need to be requested at the Panel.

At the Panel meeting of 18 October 2001, the Panel agreed to extend the Assessment Procedure such that the Assessment Reports for Modification Proposal P34 and Modification Proposal P36 would be submitted for consideration at the Panel meeting of 13 December 2001.

The PIMG met on 16 October to continue to assess Modification Proposals P34 and P36 and to determine whether there was an Alternative Modification which better facilitates the achievement of the Applicable BSC Objectives than the original.

The PIMG met on 6 November 2001 to complete the Requirement Specifications of the Modification Proposal. The PIMG identified an Alternative Modification that they believed better facilitated the Applicable BSC Objectives than the original P36 Modification Proposal, as follows:

Alternative Modification P36: A combination of the Alternative Modification P34 and the original Modification P36. The PIMG felt that this covered all aspects of balancing service provision, as the original Modification Proposal P36 effectively excluded balancing service providers who are:

- Not the Lead Party of the BM Unit; and / or
- Not active participants in the Balancing Mechanism.

Therefore, by including the mechanism proposed by Modification P34, all balancing service providers can benefit from the Modification.

The requirements Specification, 'Modification P36: 'The generation of Bid - Offer Acceptances relating to energy delivered as a result of providing Applicable Balancing Services' Requirements Specification' was issued for industry impact assessment (including assessment by the Transmission Company and BSC Central Service Agent) on 13 November 2001.

At their meeting of 6 November 2001, the PIMG agreed to consult on Modification P36 and its Alternative. A consultation was issued to industry on 14 November 2001 (it should be noted that the Consultation was also issued to the Transmission Company CUSC mailing list to ensure that balancing services providers who are not BSC Parties had a chance to respond to the consultation).

A legal review of Modification Proposal P36 (provided in ANNEX 7 of the Assessment Report) was sought on where the most appropriate governance structure for Modification Proposal P36 (and its potential Alternative) sat, and this was presented to the PIMG (at the meeting of 6 December 2001).

The legal advice stated that the Transmission Company analysis (see ANNEX 5 of the Assessment Report) should be included in a further consultation to allow parties to assess this Modification Proposal and its Alternative, in light of all the relevant information.

At the meeting on 6 December 2001, the PIMG considered the impact assessments and consultation responses.

The PIMG discussed the legal considerations relating to the most appropriate form of governance for the Modification. The PIMG agreed with the advice that the definition of the balancing services and the associated methodology for the calculation of the delivered energy volumes should be referred to in a methodology statement under the BSC.

The PIMG agreed that the most appropriate way forward would be to utilise a similar mechanism as that currently in place for the definition of system-to-system flows, namely to provide a reference to the methodology statement in the BSC, along with any other relevant provisions, but recognising that the methodology is defined by the Transmission Company and approved by the Authority. This option met the requirements of the PIMG with regard to the transparency and governance concerns, whilst retaining the Transmission Company's responsibility for the definition and maintenance of the balancing services to which this would apply and the associated methodology.

The PIMG also considered the legal advice regarding the requirement for an additional consultation based upon the background information, and requested clarification as to whether such consultation could be undertaken in the Report Phase of the Modification Procedure. The Legal representative confirmed that the matters required to be consulted on were material, and reiterated that the Assessment of both the Modifications and their Alternatives could not be considered to be complete (from a public law perspective) until such consultation had been undertaken (and thus subject to challenge).

The PIMG took into consideration the following:

- The amendment to the mechanism for implementing Modification P36 and its Alternative by the removal of the definitions of balancing services and the associated methodology for calculating the energy volumes, which was not impact assessed / consulted on as part of the Assessment phase;
- The legal advice to ensure that there is an additional consultation required to complete the assessment procedure; and
- The submission of CUSC Amendments that consider similar issues to Modification Proposals P34 and P36 (CAP009, CAP010 and CAP011) to the Authority for decision in February 2002.

Therefore the PIMG agreed to request a further extension to the Assessment procedure to allow for:

- A further consultation (including the amended implementation option of a framework document under the BSC, Transmission Company Analysis and proposed legal drafting); and
- The Authority to have Modification Proposals P34 and P36 for consideration at the same time as the related CUSC Amendments CAP009, CAP010⁴ and CAP011 thus providing a view of the current array of amendments in this area for decision.

The PIMG recognised that such extension may not be granted by the Panel and / or the Authority, at the Panel meeting of 13 December 2001, so the PIMG agreed their provisional recommendations pertaining to Modification P36 and its Alternative.

The Panel agreed to an extension such that the Assessment Report be submitted to the Panel meeting on 14 February 2002, (with this decision confirmed by the Authority at the Panel meeting).

The PIMG met again on 8 January 2002 to identify and discuss the issues to be raised in the additional consultation. The PIMG confirmed the mechanisms supporting both Modification Proposals and their Alternatives and reviewed the legal drafting in support of both Modifications and their Alternatives. The PIMG noted that the Transmission Company had issued a CUSC Amendment, proposal CAP011 (covered in more detail in Section 1.4 of the Assessment Report), which detailed the consequential amendments required in the CUSC in support of the implementation of the original P34 Modification Proposal.

The requisite consultation was provided to industry on 23 January 2002, with the covering document highlighting the key issues for consideration.

The responses to the consultation were submitted for consideration at the PIMG meeting of 4 February 2002. The PIMG reviewed and considered the responses and noted that the responses did not raise any new or substantive arguments or issues regarding Modification Proposal P36 and its Alternative. The PIMG also noted that generally, the consultation responses were in accordance with the views of the PIMG.

The PIMG also finalised their recommendations regarding Modification Proposal P36 and its Alternative. The PIMG confirmed their previous agreement to recommend to the Panel that:

- The original Modification Proposal P36 should not be made; and
- The Alternative Modification Proposal P36 should be made, with an Implementation Date of 1 December 2002.

It was recognised by the PIMG that Alternative Modifications were being recommended by the PIMG for both Modification Proposals P34 and P36 and that it would not be practicable to implement both Alternative Modifications. The PIMG's preference was for Approval of Alternative Modification P36. It should be noted that although it is possible for both Alternative Modifications P34 and P36 to be

⁴ Summarised in Section 1.4 of the Assessment Report.

implemented, it would not be efficient, as Alternative Modification P34 is contained within the Alternative Modification P36.

The PIMG determined this preference on the grounds that the majority view of the PIMG was that Alternative Modification P36 better facilitated the Applicable BSC Objectives than P36 Original, P34 Alternative and P34 Original (see section 5.1 of the Assessment Report).

The Panel, at their meeting of 14 February 2002, considered the Assessment Report, and the associated recommendations. The Panel noted the interaction of Modification Proposal P34 with Modification Proposal P36, but noted that each Modification Proposal was required to be considered and progressed separately.

One Panel member supported the recommendation of the PIMG (namely that P36 Alternative Modification be made), but wished it to be noted that they believe that P36 Alternative Modification would create an inequality in the treatment of mandatory balancing services and commercial balancing services.

The Panel agreed to proceed to the Report Phase and agreed to support the Modification Group recommendations regarding the Proposed Modification P36 and the Alternative Modification P36 (see the rationale in section 1.3), namely to recommend to the Authority that:

- Proposed Modification P36 should not be made; and
- Alternative Modification P36 be made with an Implementation Date of 1 December 2002.

4 DESCRIPTION OF PROPOSED MODIFICATION AND ALTERNATIVE

4.1 Description of the Proposed Modification P36

At a high level, Modification Proposal P36 requires that (after the event, but within two working days, i.e. in time for the Initial Information Settlement Run) the Transmission Company determine the energy volume associated with the provision of balancing services for a BM Unit and Settlement Period, according to a methodology defined within the BSC. These energy volumes will be treated as Bid – Offer Acceptances, but will be explicitly excluded from Energy Imbalance Price calculations as a consequence of such Bid – Offer Acceptances resulting from system balancing. Therefore the Service Provider gets the energy associated with the provision of the balancing service cashed out at the Bid – Offer price and is protected from the exposure to the consequences of imbalance, as a result of the Bid – Offer Acceptance.

The energy volumes associated with the provision of balancing services will be reported to the Balancing Mechanism Reporting Agent (BMRA) for publishing against the relevant BM Unit and Settlement Period and to the Settlement Administration Agent (SAA) for use in the settlement calculations.

Modification Proposal P36 requires that the methodology for determining the energy volumes associated with the provision of balancing services, and the list of balancing services that this Modification is to apply to, be held under the provisions of the BSC, and the PIMG agreed that this could be achieved via a framework document under the Code. As a consequence of this approach, payments are made for the provision of balancing services via the Balancing Mechanism, this will require an associated amendment to the CUSC to reflect this change in governance.

It should also be noted that balancing services providers can 'opt out' of this process. Where the providers do not wish to have energy volumes attributable to the provision of balancing services notified into the Balancing Mechanism under the process defined, the service provider can notify the Transmission Company that this is the case. The Transmission Company will not notify energy volumes

(as 'additional' Bid - Offer Acceptances) attributable to the provision of balancing services into the Balancing Mechanism, for those Parties / BM Units who have opted out of this process.

4.2 Description of P36 Alternative Modification

Alternative Modification Proposal P36 requires that (after the event, but within two working days, i.e. in time for the Interim Initial Information Run) the Transmission Company determine the energy volume associated with the provision of balancing services for a BM Unit and Settlement Period, according to a methodology defined within a framework document under the BSC. These balancing services energy volumes will be notified as:

- BM Unit Applicable Balancing Services Bid - Offer Acceptances. These will be explicitly excluded from Energy Imbalance Price calculations as a consequence of such Bid – Offer Acceptances being attributable to system balancing. Therefore the Service Provider gets the energy associated with the provision of the balancing service cashed out at the Bid – Offer price and is protected from the exposure to the consequences of imbalance; and / or
- BM Unit Applicable Balancing Services Volumes. These will be removed from the Energy Account of the balancing service provider, thus removing them from exposure to the consequences of imbalance, and transferred to the Energy Account of the Transmission Company.

It should be noted that both types of balancing service energy volumes can be determined and notified for one BM Unit, where the energy volumes so notified are attributable to the provision of separate balancing services, for example, BM Unit Applicable Balancing Services Bid - Offer Acceptances for mandatory frequency response, and BM Unit Applicable Balancing Services Volumes for standing reserve provision.

The energy volumes associated with the provision of balancing services will be reported into the Balancing Mechanism Reporting Agent for publishing against the relevant BM Unit and Settlement Period and to the SAA for use in the settlement calculations.

Alternative Modification Proposal P36 requires that the methodology for determining the energy volumes associated with the provision of balancing services, and the list of balancing services that this Modification is to apply to, be held in a framework document under the provisions of the BSC (see section 8 of the Assessment Report).

P36 Alternative Modification requires that the definition of balancing services and the associated volume calculation methodology should be documented in a framework document to the BSC. The BSC will include reference to the framework document and to the requirement for the contents of the framework document to be approved by the Authority. This framework document would be a new type of document from existing documentation and would be operated by the Transmission Company and approved by the Authority following a mandatory consultation.

The requirements of the framework document are:

- The reference to the framework document in the BSC should include reference to the requirement for the Authority to approve the framework document, and therefore approve the methodology and the balancing services it applies to;
- The framework document would remain the responsibility of the Transmission Company to operate and maintain and that this would be reflected in the framework document and the BSC;

- The reference to the framework document in the BSC should also include reference to the requirement for changes to the document to accord with the Applicable BSC Objectives (as defined in the Transmission Licence, Condition C3 (3) statement);
- The framework document should contain reference to the change management process for the document, and therefore the definition of the balancing services and the associated methodology. The PIMG determined that the change management process should be transparent and that Parties should have the ability to invoke the amendment process as required. The change management process requires that:
 - Any party requiring an amendment to the document should raise that requirement with the Transmission Company, the Panel or the Authority;
 - There should (always) be a subsequent consultation process for the requisite amendment, this requirement is reflected in the BSC, and within the document itself; and
 - The Authority makes the final recommendation / instruction to the Transmission Company as to the amendments required.
- The framework document should contain reference to the disputes and appeals process to be invoked for disputes regarding the detail of the framework document:
 - Disputes as to the application of the methodology, i.e. errors in the application of the methodology, should be raised under the provisions of the BSC, Section W, and progressed through the Trading Disputes process (i.e. escalation to the Trading Disputes Committee and final appeal to the Authority (only seen as necessary in extreme cases); and
 - Disputes as to the content of the methodology statement, i.e. errors in the formulae, or disagreement with the methodology, or points of principle regarding the framework document, should be raised via the change management process.

As a consequence of the approach required by the P36 Alternative Modification:

- BM Unit Applicable Balancing Services Bid - Offer Acceptances - payments are made for the energy associated with the provision of balancing services via the Balancing Mechanism and this will require a consequential amendment to the Connection and Use of System Code (CUSC) or Bilateral Contracts to reflect this change in governance; and
- BM Unit Applicable Balancing Services Volumes – payments are made for the provision of balancing services outside of the Balancing Mechanism, under the CUSC or Bilateral Contracts. However, it should be noted that this will require a consequential amendment to the CUSC or Bilateral Contracts to reflect the removal of the imbalance compensation payment.

It should also be noted that balancing services providers can 'opt out' of this process. Where the providers do not wish to have energy volumes attributable to the provision of balancing services notified into the Balancing Mechanism under the process defined, the service provider can notify the Transmission Company that this is the case. The Transmission Company will not notify energy attributable to the provision of balancing services into the Balancing Mechanism, for those Parties / BM Units who have opted out of this process.

P36 Alternative Modification requires prospective implementation on a Settlement Day basis.

5 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED AND ALTERNATIVE MODIFICATION

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

5.1 Proposed Modification P36

With the agreement of the Authority, no legal drafting is provided for Proposed Modification P36.

5.2 P36 Alternative Modification

It should be noted that this legal text is drafted on the basis that:

- (a) Modification P34 (Original or Alternative) is rejected;
- (b) CUSC is amended to remove the imbalance compensation amount and other inconsistent provisions; and
- (c) The methodology statement will contain rules for each of the matters envisaged in this legal text.

5.2.1 Conformed Version

The following new paragraph 1.4 shall be inserted in Section Q:

1.4 Applicable Balancing Services

1.4.1 The Transmission Company shall establish and maintain a statement (the "Applicable Balancing Services Volume Statement") approved by the Authority setting out:

- (a) those Balancing Services (other than services bought, sold or acquired via the submission of Bids and Offers and the issue of Acceptances in accordance with the mechanism established under the Code) in respect of which data is to be sent to the SAA pursuant to paragraphs 6.4 and 6.5 ("Applicable Balancing Services");
- (b) the methodology to be used by the Transmission Company to determine, in respect of each Settlement Period and each BM Unit, the volume of Active Energy delivered or avoided by way of provision of Applicable Balancing Services which is to be applied, for the purposes of Settlement, as the BM Unit Applicable Balancing Services Volume (QAS_{ij}) for that Settlement Period and that BM Unit under Section T4.3.2;
- (c) the methodology to be used by the Transmission Company to determine, in respect of each Settlement Period and each BM Unit and each relevant Bid-Offer Pair Number, the volume of Active Energy delivered or avoided by way of provision of Applicable Balancing Services which is to be applied, for the purposes of Settlement, as the BM Unit Applicable Balancing Services Bid Acceptance Volume or the BM Unit Applicable Balancing Services Offer Acceptance Volume ($QASB_{ij}^n$ and $QASO_{ij}^n$ respectively) for that Settlement Period, BM Unit and Bid-Offer Pair Number under Section T3.9; and

- (d) the procedures for reviewing and revising the Applicable Balancing Services Volume Statement from time to time.
- 1.4.2 In establishing the Applicable Balancing Services Volume Statement, the Transmission Company shall:
- (a) consult with Parties, allowing a period of not less than 28 days (unless otherwise directed by the Authority) in which to make representations;
 - (b) produce a report, setting out the statement originally proposed, any representations made to the Transmission Company and any changes made to the statement originally proposed following the consultation; and
 - (c) submit such report, along with the final proposed version of the statement, to the Authority for approval.
- 1.4.3 For the avoidance of doubt, the Applicable Balancing Services Volume Statement may be established in accordance with paragraph 1.4.2 and approved by the Authority prior to the date when this paragraph 1.4 comes into effect.
- 1.4.4 From time to time (as the Transmission Company sees fit or as otherwise directed by the Authority) and in any event at least once every 12 months, the Transmission Company shall:
- (a) review the Applicable Balancing Services Volume Statement with a view to determining whether any revisions should be made to it, and evaluate the effect of any such revisions and the effect of any revisions proposed to it by the Panel or any Party;
 - (b) consult with Parties, allowing a period of not less than 28 days (unless otherwise directed by the Authority) in which to make representations;
 - (c) produce a report, setting out the results of its review and any proposed revisions to the Applicable Balancing Services Volume Statement, any representations made to the Transmission Company and any revisions proposed to the Applicable Balancing Services Volume Statement following the consultation;
 - (d) submit such report, along with the final proposed revisions (if any), to the Authority; and
 - (e) make any such revisions to the Applicable Balancing Services Volume Statement as may be approved by the Authority.
- 1.4.5 The Transmission Company shall publish the Applicable Balancing Services Volume Statement (as revised from time to time in accordance with this paragraph 1.4) on the Transmission Company's website and send a copy of such statement to any person on request.
- 1.4.6 Any question or dispute as to the interpretation of or compliance with this paragraph 1.4 shall be determined by the Authority and the Authority's determination in respect of such matters shall be final and binding on Parties.
- 1.4.7 For the avoidance of doubt, the decision of the Authority to approve the Applicable Balancing Services Volume Statement (or any revisions thereto) shall be final and binding on each Party.

The following new paragraphs 6.4 and 6.5 shall be inserted in Section Q and the existing paragraph 6.4 shall be renumbered as paragraph 6.6:

6.4 Applicable Balancing Services Energy Volumes

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

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

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

6.4.2 Applicable Balancing Services Energy Volume Data shall:

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

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

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

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

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

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

6.4.7 Without prejudice to the Transmission Company's obligations under paragraph 1.4.1, where there is no Applicable Balancing Services Volume Statement in place which has been approved by the Authority, the data submitted by the Transmission Company pursuant to this paragraph 6.4 shall be set to zero.

6.5 Applicable Balancing Services Acceptance Volumes

6.5.1 In relation to each Settlement Period in a Settlement Day and each BM Unit and each relevant Bid-Offer Pair Number, the Transmission Company shall send the Applicable Balancing Services Bid Acceptance Volume Data and the Applicable Balancing Services Offer Acceptance Volume Data to:

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

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

6.5.2 Applicable Balancing Services Bid Acceptance Volume Data and Applicable Balancing Services Offer Acceptance Data shall (in each case):

- (a) be expressed in whole MWh;
- (b) follow the sign conventions set out in paragraph 2.4 of Annex X-2;
- (c) be associated with the applicable Bid-Offer Pair Number, applying the methodology set out in the Applicable Balancing Services Volume Statement (or, where there is no relevant Submitted Bid-Offer Pair, a Bid-Offer Pair Number n equal to 1 or -1 as applicable); and
- (d) represent an aggregate net volume of Active Energy for the whole Settlement Period for that Bid-Offer Pair Number.

6.5.3 The Transmission Company may resubmit to the SAA the Applicable Balancing Services Bid Acceptance Volume Data and/or the Applicable Balancing Services Offer Acceptance Volume Data in respect of any BM Unit and Settlement Period within a Settlement Day (originally sent under paragraph 6.5.1) at any time prior to the Final Reconciliation Settlement Run for such Settlement Day and the SAA shall correct such data in the Settlement Run following such resubmission.

6.5.4 For the avoidance of doubt, in respect of each Settlement Period and each BM Unit, volumes of Active Energy contained in the Applicable Balancing Services Bid Acceptance Volume Data or Applicable Balancing Services Offer Acceptance Volume Data sent pursuant to this paragraph 6.5 shall not include or be included in any volumes of Active Energy contained in Acceptance Data in respect thereof.

6.5.5 If the Lead Party notifies the Transmission Company in writing that it does not wish any volumes of Active Energy to be submitted in respect of a BM Unit for which it is Lead Party pursuant to this paragraph 6.5 with effect from an effective date specified in such notice (which date may not be earlier than 5 days after the Transmission Company receives such notice):

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

6.5.6 The obligations of the Transmission Company to send data under this paragraph 6.5 in respect of Settlement Periods and Settlement Days, and the use of such data in the determination of Trading Charges in respect of Settlement Days in accordance with the provisions of Section T, shall apply in respect of each Settlement Period and Settlement Day from the time when this paragraph 6.5 comes into effect.

6.5.7 Without prejudice to the Transmission Company's obligations under paragraph 1.4.1, where there is no Applicable Balancing Services Volume Statement in place which has been approved by the Authority, the data submitted by the Transmission Company pursuant to this paragraph 6.5 shall be set to zero.

6.5.8 References to a 'relevant' Bid-Offer Pair Number in this paragraph 6.5 are to any applicable Bid-Offer Pair Number with which a volume of Active Energy is associated in accordance with paragraph 6.5.2(c).

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

Section T 1.3.2:

1.3.2 Data required from the Transmission Company are:

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

Section T 3.9.1:

3.9.1 In respect of each Settlement Period, for each BM Unit, the total MWh volume of the Offer accepted from all Acceptances or treated as accepted shall be the Period BM Unit Total Accepted Offer Volume and shall be established as follows:

$$QAO_{ij}^n = \sum^k QAO_{ij}^{kn} + \underline{QASO_{ij}^n}$$

where \sum^k represents the sum over all Acceptances within the Settlement Period.

Section T 3.9.2:

3.9.2 In respect of each Settlement Period, for each BM Unit, the total MWh volume of the Bid accepted from all Acceptances or treated as accepted shall be the Period BM Unit Total Accepted Bid Volume, and shall be established as follows:

$$QAB_{ij}^n = \sum^k QAB_{ij}^{kn} + \underline{QASB_{ij}^n}$$

where \sum^k represents the sum over all Acceptances within the Settlement Period.

The following new subparagraphs 3.9B and 3.9C shall be inserted in Section T:

3.9B In respect of each BM Unit Applicable Balancing Services Bid Acceptance Volume and each BM Unit Applicable Balancing Services Offer Acceptance Volume, where there is no relevant Submitted Bid-Offer Pair with which it is associated, the Bid Price (PB_{ij}^n) and the Offer Price (PO_{ij}^n) shall both be £0.00/MWh.

3.9C For the avoidance of doubt:

- (a) references in the remaining provisions of this paragraph 3 to Balancing Mechanism action and to Offers and Bids includes the provision of Applicable Balancing Services notified by way of BM Unit Applicable Balancing Services Bid Acceptance Volumes and BM Unit Applicable Balancing Services Offer Acceptance Volumes;
- (b) the application of BM Unit Applicable Balancing Services Bid Acceptance Volumes and BM Unit Applicable Balancing Services Offer Acceptance Volumes in the calculations made under paragraph 3.9 and the association of such volumes with particular Bid-Offer Pair Numbers is entirely without prejudice to the determinations to be made by the SAA under the preceding provisions of this paragraph 3, and is not intended to affect or alter those determinations in any way.

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

Section T 4.3.2:

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

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

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

Section T 4.3.3:

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

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

Section T 4.5.1:

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

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

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

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

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

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

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

Section T 4.6.2:

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

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

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

Section T 4.6.3:

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

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

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

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

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

where \sum_i represents the sum over all BM Units.

The following new paragraph 2.6.8 shall be inserted in Section V:

2.6.8 For the purposes of this paragraph 2.6, in calculating $IQAO^{n}_{ij}$ and $IQAB^{n}_{ij}$ (and any other Indicative values derived in whole or in part from those terms), the BMRA shall disregard references in Section T3 to $QASO^{n}_{ij}$ and $QASB^{n}_{ij}$ (as if those volumes were zero).

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

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

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

“Applicable Balancing Services”	shall have the meaning given to that term in Q1.4.1;
“Applicable Balancing Services Energy Volume Data”	means the data in respect of a BM Unit and a Settlement Period representing volumes of Active Energy associated with the provision of Applicable Balancing Services, which is to be applied as BM Unit Applicable Balancing Services Volume (QAS _{ij}) under Section T4.3.2, as determined by the Transmission Company in accordance with the Applicable Balancing Services Volume Statement and sent to the SAA and the BMRA pursuant to Section Q6.4;
“Applicable Balancing Services Bid Acceptance Data”	means the data in respect of a BM Unit and a Settlement Period and a Bid-Offer Pair Number representing volumes of Active Energy associated with the provision of Applicable Balancing Services, which is to be applied as BM Unit Applicable Balancing Services Bid Acceptance Volume QASB ⁿ _{ij}) under Section T3.9, as determined by the Transmission Company in accordance with the Applicable Balancing Services Volume Statement and sent to the SAA and the BMRA pursuant to Section Q6.5;
“Applicable Balancing Services Offer Acceptance Data”	means the data in respect of a BM Unit and a Settlement Period and a Bid-Offer Pair Number representing volumes of Active Energy associated with the provision of Applicable Balancing Services, which is to be applied as BM Unit Applicable Balancing Services Offer Acceptance Volume (QASO ⁿ _{ij}) under Section T3.9, as determined by the Transmission Company in accordance with the Applicable Balancing Services Volume Statement and sent to the SAA and the BMRA pursuant to Section Q6.5;
Balancing Services	has the meaning given to that term in the Transmission Licence;

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

Defined Term	Acronym	Units	Definition/Explanatory Text
Account Period Bid-Offer-Balancing Services Volume	QABS _{aj}	MWh	The quantity determined in accordance with section T 4.6.2 <i>The Account Period Bid-Offer Balancing Services Volume is the <u>sum of the</u> net quantity of accepted Bids and Offers, <u>and the net energy associated with delivery of Applicable Balancing Services</u> from all BM Units for which Energy Account a is the Lead Energy Account in Settlement Period j.</i>

Defined Term	Acronym	Units	Definition/Explanatory Text
<u>BM Unit Applicable Balancing Services Bid Acceptance Volume</u>	<u>QASBⁿ_{ij}</u>	<u>MWh</u>	<u>In respect of a BM Unit and a Settlement Period and a Bid-Offer Pair Number, the Applicable Balancing Services Bid Acceptance Volume Data sent by the Transmission Company pursuant to Section Q6.5.</u>
<u>BM Unit Applicable Balancing Services Offer Acceptance Volume</u>	<u>QASOⁿ_{ij}</u>	<u>MWh</u>	<u>In respect of a BM Unit and a Settlement Period and a Bid-Offer Pair Number, the Applicable Balancing Services Offer Acceptance Volume Data sent by the Transmission Company pursuant to Section Q6.5.</u>
<u>BM Unit Applicable Balancing Services Energy Volume</u>	<u>QAS_{ij}</u>	<u>MWh</u>	<u>In respect of a BM Unit and a Settlement Period, the Applicable Balancing Services Energy Volume Data sent by the Transmission Company pursuant to Section Q6.4.</u>
<u>Period BM Unit Bid-Offer Balancing Services Volume</u>	<u>QBSO_{ij}</u>	<u>MWh</u>	The quantity determined in accordance with section T 4.3.2. <i>The Period BM Unit Bid-Offer Balancing Services Volume is the <u>sum of the net quantity of accepted Bids and Offers and the net quantity of energy associated with delivery of Applicable Balancing Services</u> from BM Unit i in Settlement Period j.</i>
<u>Total Period Applicable Balancing Services Energy Volume</u>	<u>TOAS_j</u>	<u>MWh</u>	The amount determined in accordance with Section T 4.6.5. <i>The Total Period Applicable Balancing Services Energy Volume is the <u>net quantity of energy associated with delivery of Applicable Balancing Services by all BM Units in Settlement Period j which is applied as Applicable Balancing Services Energy Volumes under Section T4.3.2.</u></i>

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

Acronym	Units	Corresponding Defined Term or Expression
<u>QABSⁿ_{aj}</u>	<u>MWh</u>	Account Period <u>Bid-Offer Balancing Services Volume</u>
<u>QAS_{ij}</u>	<u>MWh</u>	<u>BM Unit Applicable Balancing Services Volume</u>
<u>QASBⁿ_{ij}</u>	<u>MWh</u>	<u>BM Unit Applicable Balancing Services Bid Acceptance Volume</u>
<u>QASOⁿ_{ij}</u>	<u>MWh</u>	<u>BM Unit Applicable Balancing Services Offer Acceptance Volume</u>
<u>QBSO_{ij}</u>	<u>MWh</u>	Period BM Unit <u>Bid-Offer Balancing Services Volume</u>
<u>TOAS_j</u>	<u>MWh</u>	<u>Total Period Applicable Balancing Services Energy Volume</u>

5.2.2 Clean Version

The following new paragraph 1.4 shall be inserted in Section Q:

1.4 Applicable Balancing Services

- 1.4.1 The Transmission Company shall establish and maintain a statement (the "**Applicable Balancing Services Volume Statement**") approved by the Authority setting out:
- (a) those Balancing Services (other than services bought, sold or acquired via the submission of Bids and Offers and the issue of Acceptances in accordance with the mechanism established under the Code) in respect of which data is to be sent to the SAA pursuant to paragraphs 6.4 and 6.5 ("**Applicable Balancing Services**");
 - (b) the methodology to be used by the Transmission Company to determine, in respect of each Settlement Period and each BM Unit, the volume of Active Energy delivered or avoided by way of provision of Applicable Balancing Services which is to be applied, for the purposes of Settlement, as the BM Unit Applicable Balancing Services Volume (QAS_{ij}) for that Settlement Period and that BM Unit under Section T4.3.2;
 - (c) the methodology to be used by the Transmission Company to determine, in respect of each Settlement Period and each BM Unit and each relevant Bid-Offer Pair Number, the volume of Active Energy delivered or avoided by way of provision of Applicable Balancing Services which is to be applied, for the purposes of Settlement, as the BM Unit Applicable Balancing Services Bid Acceptance Volume or the BM Unit Applicable Balancing Services Offer Acceptance Volume ($QASB^n_{ij}$ and $QASO^n_{ij}$ respectively) for that Settlement Period, BM Unit and Bid-Offer Pair Number under Section T3.9; and
 - (d) the procedures for reviewing and revising the Applicable Balancing Services Volume Statement from time to time.
- 1.4.2 In establishing the Applicable Balancing Services Volume Statement, the Transmission Company shall:
- (a) consult with Parties, allowing a period of not less than 28 days (unless otherwise directed by the Authority) in which to make representations;
 - (b) produce a report, setting out the statement originally proposed, any representations made to the Transmission Company and any changes made to the statement originally proposed following the consultation; and
 - (c) submit such report, along with the final proposed version of the statement, to the Authority for approval.
- 1.4.3 For the avoidance of doubt, the Applicable Balancing Services Volume Statement may be established in accordance with paragraph 1.4.2 and approved by the Authority prior to the date when this paragraph 1.4 comes into effect.
- 1.4.4 From time to time (as the Transmission Company sees fit or as otherwise directed by the Authority) and in any event at least once every 12 months, the Transmission Company shall:
- (a) review the Applicable Balancing Services Volume Statement with a view to determining whether any revisions should be made to it, and evaluate the effect of any such revisions and the effect of any revisions proposed to it by the Panel or any Party;

- (b) consult with Parties, allowing a period of not less than 28 days (unless otherwise directed by the Authority) in which to make representations;
 - (c) produce a report, setting out the results of its review and any proposed revisions to the Applicable Balancing Services Volume Statement, any representations made to the Transmission Company and any revisions proposed to the Applicable Balancing Services Volume Statement following the consultation;
 - (d) submit such report, along with the final proposed revisions (if any), to the Authority; and
 - (e) make any such revisions to the Applicable Balancing Services Volume Statement as may be approved by the Authority.
- 1.4.5 The Transmission Company shall publish the Applicable Balancing Services Volume Statement (as revised from time to time in accordance with this paragraph 1.4) on the Transmission Company's website and send a copy of such statement to any person on request.
- 1.4.6 Any question or dispute as to the interpretation of or compliance with this paragraph 1.4 shall be determined by the Authority and the Authority's determination in respect of such matters shall be final and binding on Parties.
- 1.4.7 For the avoidance of doubt, the decision of the Authority to approve the Applicable Balancing Services Volume Statement (or any revisions thereto) shall be final and binding on each Party.

The following new paragraphs 6.4 and 6.5 shall be inserted in Section Q and the existing paragraph 6.4 shall be renumbered as paragraph 6.6:

6.4 Applicable Balancing Services Energy Volumes

- 6.4.1 In relation to each Settlement Period in a Settlement Day and each BM Unit, the Transmission Company shall send the Applicable Balancing Services Energy Volume Data to:
- (a) the SAA; and
 - (b) the BMRA
- no later than the second Business Day after such Settlement Day.
- 6.4.2 Applicable Balancing Services Energy Volume Data shall:
- (a) be expressed in whole MWh;
 - (b) follow the sign conventions set out in paragraph 2.4 of Annex X-2; and
 - (c) represent an aggregate net volume of Active Energy for the whole Settlement Period.
- 6.4.3 The Transmission Company may resubmit to the SAA the Applicable Balancing Services Energy Volume Data in respect of any BM Unit and Settlement Period within a Settlement Day (originally sent under paragraph 6.4.1) at any time prior to the Final Reconciliation Settlement Run for such Settlement Day and the SAA shall correct such data in the Settlement Run following such resubmission.
- 6.4.4 For the avoidance of doubt, in respect of each Settlement Period and each BM Unit, volumes of Active Energy contained in the Applicable Balancing Services Energy Volume Data sent pursuant to this paragraph 6.4 shall not include or be included in any volumes of Active Energy contained in Acceptance Data in respect thereof.

- 6.4.5 If the Lead Party notifies the Transmission Company in writing that it does not wish any volumes of Active Energy to be submitted in respect of a BM Unit for which it is Lead Party pursuant to this paragraph 6.4 with effect from an effective date specified in such notice (which date may not be earlier than 5 days after the Transmission Company receives such notice):
- (a) the Transmission Company shall notify BSCCo in writing; and
 - (b) the Applicable Balancing Services Energy Volume Data sent by the Transmission Company in respect of that BM Unit shall be set to zero by the Transmission Company in respect of each Settlement Day with effect from the specified effective date until such time as the Lead Party informs the Transmission Company in writing that such notice is to be withdrawn.
- 6.4.6 The obligations of the Transmission Company to send data under this paragraph 6.4 in respect of Settlement Periods and Settlement Days, and the use of such data in the determination of Trading Charges in respect of Settlement Days in accordance with the provisions of Section T, shall apply in respect of each Settlement Period and Settlement Day from the time when this paragraph 6.4 comes into effect.
- 6.4.7 Without prejudice to the Transmission Company's obligations under paragraph 1.4.1, where there is no Applicable Balancing Services Volume Statement in place which has been approved by the Authority, the data submitted by the Transmission Company pursuant to this paragraph 6.4 shall be set to zero.

6.5 Applicable Balancing Services Acceptance Volumes

- 6.5.1 In relation to each Settlement Period in a Settlement Day and each BM Unit and each relevant Bid-Offer Pair Number, the Transmission Company shall send the Applicable Balancing Services Bid Acceptance Volume Data and the Applicable Balancing Services Offer Acceptance Volume Data to:
- (a) the SAA; and
 - (b) the BMRA
- no later than the second Business Day after such Settlement Day.
- 6.5.2 Applicable Balancing Services Bid Acceptance Volume Data and Applicable Balancing Services Offer Acceptance Data shall (in each case):
- (a) be expressed in whole MWh;
 - (b) follow the sign conventions set out in paragraph 2.4 of Annex X-2;
 - (c) be associated with the applicable Bid-Offer Pair Number, applying the methodology set out in the Applicable Balancing Services Volume Statement (or, where there is no relevant Submitted Bid-Offer Pair, a Bid-Offer Pair Number n equal to 1 or -1 as applicable); and
 - (d) represent an aggregate net volume of Active Energy for the whole Settlement Period for that Bid-Offer Pair Number.
- 6.5.3 The Transmission Company may resubmit to the SAA the Applicable Balancing Services Bid Acceptance Volume Data and/or the Applicable Balancing Services Offer Acceptance Volume Data in respect of any BM Unit and Settlement Period within a Settlement Day (originally sent under paragraph 6.5.1) at any time prior to the Final Reconciliation Settlement Run for such Settlement Day and the SAA shall correct such data in the Settlement Run following such resubmission.
- 6.5.4 For the avoidance of doubt, in respect of each Settlement Period and each BM Unit, volumes of Active Energy contained in the Applicable Balancing Services Bid Acceptance Volume Data or Applicable

Balancing Services Offer Acceptance Volume Data sent pursuant to this paragraph 6.5 shall not include or be included in any volumes of Active Energy contained in Acceptance Data in respect thereof.

- 6.5.5 If the Lead Party notifies the Transmission Company in writing that it does not wish any volumes of Active Energy to be submitted in respect of a BM Unit for which it is Lead Party pursuant to this paragraph 6.5 with effect from an effective date specified in such notice (which date may not be earlier than 5 days after the Transmission Company receives such notice):
- (a) the Transmission Company shall notify BSCCo in writing; and
 - (b) any Applicable Balancing Services Bid Acceptance Volume Data or Applicable Balancing Services Offer Acceptance Volume Data sent by the Transmission Company in respect of that BM Unit shall be set to zero by the Transmission Company in respect of each Settlement Day with effect from the specified effective date until such time as the Lead Party informs the Transmission Company in writing that such notice is to be withdrawn.
- 6.5.6 The obligations of the Transmission Company to send data under this paragraph 6.5 in respect of Settlement Periods and Settlement Days, and the use of such data in the determination of Trading Charges in respect of Settlement Days in accordance with the provisions of Section T, shall apply in respect of each Settlement Period and Settlement Day from the time when this paragraph 6.5 comes into effect.
- 6.5.7 Without prejudice to the Transmission Company's obligations under paragraph 1.4.1, where there is no Applicable Balancing Services Volume Statement in place which has been approved by the Authority, the data submitted by the Transmission Company pursuant to this paragraph 6.5 shall be set to zero.
- 6.5.8 References to a 'relevant' Bid-Offer Pair Number in this paragraph 6.5 are to any applicable Bid-Offer Pair Number with which a volume of Active Energy is associated in accordance with paragraph 6.5.2(c).

Section T 1.3.2 shall be replaced with:

- 1.3.2 Data required from the Transmission Company are:
- (a) Final Physical Notification Data;
 - (b) Bid-Offer Data;
 - (c) Acceptance Data;
 - (d) Balancing Services Adjustment Data;
 - (e) Applicable Balancing Services Energy Volume Data;
 - (f) Applicable Balancing Services Bid Acceptance Volume Data; and
 - (g) Applicable Balancing Services Offer Acceptance Volume Data.

Section T 3.9.1 shall be replaced with:

- 3.9.1 In respect of each Settlement Period, for each BM Unit, the total MWh volume of the Offer accepted from all Acceptances or treated as accepted shall be the Period BM Unit Total Accepted Offer Volume and shall be established as follows:

$$QAO_{ij}^n = \sum^k QAO_{ij}^{kn} + QASO_{ij}^n$$

where \sum^k represents the sum over all Acceptances within the Settlement Period.

Section T 3.9.2 shall be replaced with:

3.9.2 In respect of each Settlement Period, for each BM Unit, the total MWh volume of the Bid accepted from all Acceptances or treated as accepted shall be the Period BM Unit Total Accepted Bid Volume, and shall be established as follows:

$$QAB_{ij}^n = \sum^k QAB_{ij}^{kn} + QASB_{ij}^n$$

where \sum^k represents the sum over all Acceptances within the Settlement Period.

The following new subparagraphs 3.9B and 3.9C shall be inserted in Section T:

3.9B In respect of each BM Unit Applicable Balancing Services Bid Acceptance Volume and each BM Unit Applicable Balancing Services Offer Acceptance Volume, where there is no relevant Submitted Bid-Offer Pair with which it is associated, the Bid Price (PB_{ij}^n) and the Offer Price (PO_{ij}^n) shall both be £0.00/MWh.

3.9C For the avoidance of doubt:

- (a) references in the remaining provisions of this paragraph 3 to Balancing Mechanism action and to Offers and Bids includes the provision of Applicable Balancing Services notified by way of BM Unit Applicable Balancing Services Bid Acceptance Volumes and BM Unit Applicable Balancing Services Offer Acceptance Volumes;
- (b) the application of BM Unit Applicable Balancing Services Bid Acceptance Volumes and BM Unit Applicable Balancing Services Offer Acceptance Volumes in the calculations made under paragraph 3.9 and the association of such volumes with particular Bid-Offer Pair Numbers is entirely without prejudice to the determinations to be made by the SAA under the preceding provisions of this paragraph 3, and is not intended to affect or alter those determinations in any way.

Section T 4.3.2 shall be replaced with:

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

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

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

Section T 4.3.3 shall be replaced with:

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

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

Section T 4.5.1 shall be replaced with:

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

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

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

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

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

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

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

Section T 4.6.2 shall be replaced with:

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

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

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

Section T 4.6.3 shall be replaced with:

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

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

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

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

$$TQAS_j = \acute{O}_i QAS_{ij}$$

where \acute{O}_i represents the sum over all BM Units.

The following new paragraph 2.6.8 shall be inserted in Section V:

- 2.6.8 For the purposes of this paragraph 2.6, in calculating $IQAO^n_{ij}$ and $IQAB^n_{ij}$ (and any other Indicative values derived in whole or in part from those terms), the BMRA shall disregard references in Section T3 to $QASO^n_{ij}$ and $QASB^n_{ij}$ (as if those volumes were zero).

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

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

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

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

- “Applicable Balancing Services”** shall have the meaning given to that term in Q1.4.1;
- “Applicable Balancing Services Energy Volume Data”** means the data in respect of a BM Unit and a Settlement Period representing volumes of Active Energy associated with the provision of Applicable Balancing Services, which is to be applied as BM Unit Applicable Balancing Services Volume (QAS_{ij}) under Section T4.3.2, as determined by the Transmission Company in accordance with the Applicable Balancing Services Volume Statement and sent to the SAA and the BMRA pursuant to Section Q6.4;
- “Applicable Balancing Services Bid Acceptance Data”** means the data in respect of a BM Unit and a Settlement Period and a Bid-Offer Pair Number representing volumes of Active Energy associated with the provision of Applicable Balancing Services, which is to be applied as BM Unit Applicable Balancing Services Bid Acceptance Volume ($QASB^n_{ij}$) under Section T3.9, as determined by the Transmission Company in accordance with the Applicable Balancing Services Volume Statement and sent to the SAA and the BMRA pursuant to Section Q6.5;
- “Applicable Balancing Services Offer Acceptance Data”** means the data in respect of a BM Unit and a Settlement Period and a Bid-Offer Pair Number representing volumes of Active Energy associated with the provision of Applicable Balancing Services, which is to be applied as BM Unit Applicable Balancing Services Offer Acceptance Volume ($QASO^n_{ij}$) under Section T3.9, as determined by the Transmission Company in accordance with the Applicable Balancing Services Volume Statement and sent to the SAA and the BMRA pursuant to Section Q6.5;
- Balancing Services** has the meaning given to that term in the Transmission Licence;

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

Defined Term	Acronym	Units	Definition/Explanatory Text
Account Period Bid-Offer Volume	QABO _{aj}	MWh	The quantity determined in accordance with section T 4.6.2 <i>The Account Period Bid-Offer Volume is the sum of the quantity of accepted Bids and Offers from all BM Units for which Energy Account a is the Lead Energy Account in Settlement Period j.</i>
Period BM Unit Bid-Offer Volume	QBO _{ij}	MWh	The quantity determined in accordance with section T 4.3.2. <i>The Period BM Unit Bid-Offer Volume is the net quantity of accepted Bids and Offers from BM Unit i in Settlement Period j.</i>

The following defined terms shall be inserted to Table X-2 of Annex X-2:

Defined Term	Acronym	Units	Definition/Explanatory Text
Account Period Balancing Services Volume	QABS _{aj}	MWh	The quantity determined in accordance with section T 4.6.2 <i>The Account Period Balancing Services Volume is the sum of the net quantity of accepted Bids and Offers, and the net energy associated with delivery of Applicable Balancing Services from all BM Units for which Energy Account a is the Lead Energy Account in Settlement Period j.</i>
BM Unit Applicable Balancing Services Bid Acceptance Volume	QASB ⁿ _{ij}	MWh	In respect of a BM Unit and a Settlement Period and a Bid-Offer Pair Number, the Applicable Balancing Services Bid Acceptance Volume Data sent by the Transmission Company pursuant to Section Q6.5.
BM Unit Applicable Balancing Services Offer Acceptance Volume	QASO ⁿ _{ij}	MWh	In respect of a BM Unit and a Settlement Period and a Bid-Offer Pair Number, the Applicable Balancing Services Offer Acceptance Volume Data sent by the Transmission Company pursuant to Section Q6.5.
BM Unit Applicable Balancing Services Volume	QAS _{ij}	MWh	In respect of a BM Unit and a Settlement Period, the Applicable Balancing Services Energy Volume Data sent by the Transmission Company pursuant to Section Q6.4.

Defined Term	Acronym	Units	Definition/Explanatory Text
Period BM Unit Balancing Services Volume	QBS _{ij}	MWh	The quantity determined in accordance with section T 4.3.2. <i>The Period BM Unit Balancing Services Volume is the sum of the net quantity of accepted Bids and Offers and the net quantity of energy associated with delivery of Applicable Balancing Services from BM Unit i in Settlement Period j.</i>
Total Period Applicable Balancing Services Energy Volume	TQAS _j	MWh	The amount determined in accordance with Section T 4.6.5. <i>The Total Period Applicable Balancing Services Energy Volume is the net quantity of energy associated with delivery of Applicable Balancing Services by all BM Units in Settlement Period j which is applied as Applicable Balancing Services Energy Volumes under Section T4.3.2.</i>

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

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

The following acronyms shall be inserted to Table X-3 of Annex X-2:

Acronym	Units	Corresponding Defined Term or Expression
QABS _{aj}	MWh	Account Period Balancing Services Volume
QAS _{ij}	MWh	BM Unit Applicable Balancing Services Volume
QASB ⁿ _{ij}	MWh	BM Unit Applicable Balancing Services Bid Acceptance Volume
QASO ⁿ _{ij}	MWh	BM Unit Applicable Balancing Services Offer Acceptance Volume
QBS _{ij}	MWh	Period BM Unit Balancing Services Volume
TQAS _j	MWh	Total Period Applicable Balancing Services Energy Volume

6 ASSESSMENT

The following is a summary of the impacts identified in the Assessment Report produced by the Pricing Issues Modification Group for Proposed Modification P36 and Alternative Modification P36.

6.1 Proposed Modification P36

- The following sections of the Balancing and Settlement Code are impacted:
 - Section Q ‘Balancing Mechanism Activities’ requires amendment to reference the receipt of energy volumes from the Transmission Company and to reference the high level provisions regarding the framework document to the Code;
 - Section T ‘Settlement and Trading Charges’ requires amendment to reflect the changes to the settlement calculations;
 - Section X ‘Definitions and Interpretations’ ANNEX X-1 ‘General Glossary’ and ANNEX X-2 ‘Technical Glossary’ require amendment to include the new definitions required to support this Modification; and
 - Creation of a new framework document to the Code – to be developed (in agreement with the Authority), maintained and operated by the Transmission Company under the provisions of the Code (Section Q).
- The Code Subsidiary Documentation is impacted in the following ways:
 - The Reporting Catalogue requires amendment to reflect the new interface from the Transmission Company for the provision of the energy volumes and to reflect the amendments to the Settlement Report (all sub-flows – i.e. Transmission Company, ELEXON and BSC Party variants). The Reporting Catalogue also requires amendment to reflect the additional reporting of these energy volumes on the BMRA;
 - The NETA Data File Catalogue (NDFC) requires amendment to reflect the new interface from the Transmission Company for the provision of the energy volumes and to reflect the amendments to the Settlement Report (all sub-flows – i.e. Transmission Company, ELEXON and BSC Party variants);
 - The SAA Service Description requires amendment to reflect receipt of the additional interface from the Transmission Company and the amendments to the settlement calculations; and
 - The BMRA Service Description requires amendment to reflect the requirement to receive and report these energy volumes on the BMRA.
- The BSC Systems are impacted in the following ways:
 - SAA is impacted by the requirement to receive the new interface / information, amendments to the settlement calculations and the amendments to the Settlement Report (SAA-I014); and
 - BMRA is impacted by the requirement to receive the new interface / information and then to publish it on the BMRA.
- ELEXON is impacted by the amendments to the settlement calculations and the associated amendments to the Settlement Report (SAA-I014), which have the consequential requirement to amend the ELEXON TOMAS system.

- Parties are impacted by the amendments to the settlement calculations and the associated amendments to the Settlement Report (SAA-I014);
- Party Agents are not impacted by this Modification Proposal; and
- The Transmission Company is impacted in the following ways:
 - The Transmission Company will be required to develop and operate the new interface for calculation and notification of the energy volumes into the BSC Central Service Agent;
 - The Connection Use of System Code (CUSC) requires amendment to reflect the changes to the energy imbalance compensation payments and payment for energy delivered for the provision of balancing services;
 - The Transmission Company systems and processes require amendment to calculation and integrate the Bid – Offer Acceptance data associated with the delivery of the Applicable Balancing Services; and
 - The implementation of Modification Proposal P36 may impact the Transmission Company incentive scheme.

6.2 Alternative Modification P36

- The following sections of the Balancing and Settlement Code are impacted:
 - Section Q 'Balancing Mechanism Activities' requires amendment to reference the receipt of the energy volumes from the Transmission Company, and to reference the high level provisions regarding the framework document to the Code;
 - Section T 'Settlement and Trading Charges' requires amendment to reflect the changes to the settlement calculations;
 - Section X 'Definitions and Interpretations' ANNEX X-1 'General Glossary' and ANNEX X-2 'Technical Glossary' require amendment to include the new definitions required to support this Modification; and
 - Creation of a new framework document to the Code – to be developed (in agreement with the Authority), maintained and operated by the Transmission Company under the provisions of the Code (Section Q).
- The Code Subsidiary Documentation is impacted in the following ways:
 - The Reporting Catalogue requires amendment to reflect the two new interfaces from the Transmission Company for the provision of the energy volumes and to reflect the amendments to the Settlement Report (all sub-flows – i.e. Transmission Company, ELEXON and BSC Party variants). The Reporting Catalogue also requires amendment to reflect the additional reporting of these energy volumes on the BMRA;
 - The NETA Data File Catalogue (NDFC) requires amendment to reflect the two new interfaces from the Transmission Company for the provision of the energy volumes and to reflect the amendments to the Settlement Report (all sub-flows – i.e. Transmission Company, ELEXON and BSC Party variants);
 - The SAA Service Description requires amendment to reflect receipt of the additional interfaces from the Transmission Company and the amendments to the settlement calculations; and

- The BMRA Service Description requires amendment to reflect the requirement to receive and report these energy volumes on the BMRA.
- The BSC Systems are impacted in the following ways:
 - SAA is impacted by the requirement to receive the new interfaces / information, amendments to the settlement calculations and the amendments to the Settlement Report (SAA-I014); and
 - BMRA is impacted by the requirement to receive the new interfaces / information and then to publish it on the BMRA.
- ELEXON is impacted by the amendments to the settlement calculations and the associated amendments to the Settlement Report (SAA-I014), which have the consequential requirement to amend the ELEXON TOMAS system.
- Parties are impacted by the amendments to the settlement calculations and the associated amendments to the Settlement Report (SAA-I014);
- Party Agents are not impacted by this Modification Proposal; and
- The Transmission Company is impacted in the following ways:
 - The Transmission Company will be required to develop and operate the new interface for calculation and notification of the energy volumes into the BSC Central Service Agent;
 - The Connection Use of System Code (CUSC) requires amendment to reflect the changes to the energy imbalance compensation payments and payment for energy delivered for the provision of balancing services;
 - The Transmission Company systems and processes require amendment to calculation and integrate the Bid – Offer Acceptance data associated with the delivery of the Applicable Balancing Services; and
 - The implementation of Modification Proposal P36 may impact the Transmission Company incentive scheme.

7 SUMMARY OF REPRESENTATIONS

Ten responses, (51 Parties), were received against the consultation on the draft Modification Report for Modification Proposal P36. The responses are provided in ANNEX 1 of this Modification Report, and can be summarised as follows:

- Eight responses, (47 Parties), support the recommendations made in the draft Modification Report;
- One response, (3 Parties), does not support the recommendations made in the draft Modification Report; and
- One response (one party) had no comment.

Arguments made in support of the recommendations of the draft Modification Report are as follows:

- Alternative Modification P36 provides the requisite flexibility to all providers of Applicable Balancing Services;
- The Alternative Modification P36 will increase transparency and means all providers of Mandatory Response will be dealt with on an equal basis using a market based solution. P36 Alternative is

preferable to P36 Original as it also accounts for those service providers who are not lead party BM Units or participants in the Balancing Mechanism;

- By linking the price paid for Mandatory Response to Bid – Offer Acceptances will enable a market in Balancing Service energy to develop and a market price to be placed on these services. This may offer a truer reflection of the value of Balancing Services to both NGC and the service provider than the current arrangements;
- Payment for mandatory Frequency Response energy at bid or offer prices through the BSC would keep the energy payment in the same place as the current arrangements but, because the energy is priced appropriately, removes the requirement for a compensation payment under CUSC. This would simplify CUSC and remove any perverse incentives not to provide any component of Response that is not properly compensated when using an administered 'reference price' in CUSC;
- Pricing energy at Bid or Offer prices would allow the Transmission Company to compare properly the price of energy delivered automatically from responsive plant with that provided by the acceptance of bids and offers in the BM or other balancing services. This should facilitate improved decision-making leading to a more efficient purchase of balancing energy;
- Allowing providers to price automatically delivered energy through bids and offers should enable the lowest cost providers to offer the most competitive service. It also encourages providers to ensure that they deliver accurately the expected energy volumes so as to reduce the volume risk that they are exposed to when providing Response; and
- Placing automatically delivered energy on the same footing as other balancing energy should lead to increased competition in the provision of all forms of balancing energy. Perverse incentives associated with a single reference price would be removed thus encouraging more providers to participate in the provision of mandatory Frequency Response.

Arguments made by respondents who did not support the recommendations of the draft Modification Report are as follows:

- Modification Proposal P36 and its Alternative facilitate payment for frequency response at freely submitted Bid and Offer prices. Whilst supportive in principle of a market solution for response provision, the potential for a liquid and competitive market needs to be more clearly demonstrated, and the interaction between energy provided through frequency response and bids and offers more thoroughly considered, before proceeding with a proposal such as P36.

ANNEX 1 – REPRESENTATIONS

Responses from P36 Draft Modification Report Consultation

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU Europe	P36_MR_001	20
2.	LE Group	P36_MR_002	5
3.	EdF Trading Ltd	P36_MR_003	2
4.	SEEBOARD	P36_MR_004	2
5.	ScottishPower UK plc	P36_MR_005	5
6.	British Energy	P36_MR_006	3
7.	Scottish & Southern Energy plc	P36_MR_007	4
8.	British Gas Trading	P36_MR_008	3
9.	Innogy Group	P36_MR_009	6
10.	GPU Power UK	P36_MR_010	1

P36_MR_001 – TXU Europe

20 TXU BSC Parties

We support the draft modification report conclusions and recommendations.

In line with our response to the P34 Draft Modification Report, whilst we are prepared to support the Panel recommendation we do not believe that the Alternative Proposal will make a material difference to the Standing Reserve issue. Unfortunately we can see no way of resolving this issue at present without changing the contracting route for such services – i.e it has to go via the customer's Supplier through the BM, although there may be a bilateral contract with the Supplier which instigates a difference payment. Perhaps this needs to be addressed via the Procurement Guidelines and a different BSC Modification proposal ?

Philip Russell

04/03/2002

P36_MR_002 – LE Group

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

Our comments on the P36 Modification Report, in addition to those found in the previous consultation on the matter, are as follows;

- We believe P36A best facilitates the achievement of the BSC objectives. Additionally we believe that P36A achieves the same effect as P34A as far as a 'non-active participant' is concerned.

- On page 23 the mutual exclusivity of the two types of balancing services referred to in Q1.4.1.(b) and (c) respectively should be made clearer.
- On page 23 the following sentence should be added to Q1.4.3. - "The Applicable Balancing Services Volume Statement will be a framework document under the code."
- Having concentrated on active BM participants it is not clear how the balancing services of a 'non active participant' in the Balancing Mechanism are dealt with as far as legal text is concerned. This may need to be addressed.

Rob Hetherington

Wholesale Market Analyst

P36_MR_003 – EdF Trading Ltd

Can you please note that EDF Trading Ltd and EdF (Generation) agree with the findings as expressed in the following consultative Modification Proposal report:

P36.

The report gives appropriate and understandable justifications for the recommendations to which EDFT and EdF concur.

Steve Drummond

EdF Energy Merchants Ltd

P36_MR_004 – SEEBOARD

With respect to above mentioned consultation. We agree with recommendations within section 1.1 of draft modification report, dated 22nd February, that alternative modification should be made and implemented on 1st December 2002.

Dave Morton

SEEBOARD Energy Limited

SEEBOARD Power Networks plc

P36_MR_005 – ScottishPower UK plc

With reference to the above, I would refer you to our previous comments on the proposal.

In this consultation response, we would reiterate our support of the P36 Alternative Proposal. Throughout the consultations of P34 and P36, we believe P36 Alternative better meets all the relevant Applicable BSC Objectives and provides the requisite flexibility to all providers of Applicable Balancing Services which we feel is necessary under these arrangements and is preferred to any other P34 or P36 options.

The legal drafting appears satisfactory.

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

Man Kwong Liu

Calanais Ltd.

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

P36_MR_006 – British Energy

BE does not support P36 in its original or alternative forms at this time. These options facilitate payment for frequency response at freely submitted bid and offer prices. Whilst supportive in principle of a market solution for response provision, we believe that the potential for a liquid and competitive market needs to be more clearly demonstrated, and the interaction between energy provided through frequency response and bids and offers more thoroughly considered, before proceeding with a proposal such as P36. On balance, we are not convinced that the BSC objectives would be better met through implementation of P36.

Rachel Ace

On behalf of

British Energy Generation

British Energy Power and Energy Trading

Eggborough Power Ltd

P36_MR_007 – Scottish & Southern Energy plc

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

In relation to the Modification Report for proposed Modification P36 contained in your note of 22nd February 2002; we agree with the suggested BSC Panel recommendation to the Authority that the 'original' Modification Proposal P36 be rejected and that the Alternative Modification Proposal P34 be approved, with an implemented date of 1st December 2002.

Regards

Garth Graham

Scottish & Southern Energy plc

P36_MR_008 – British Gas Trading

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

In responding to this consultation we note that there are other BSC modifications and CUSC amendments currently under consideration in respect of this issue. However, in assessing this modification against the current baseline we agree with the view of the modification group that the Alternative modification will better facilitate the Applicable BSC Objectives.

As we have stated in previous responses to consultations on this modification, linking the price paid for Mandatory Response to BOAs will enable a market in Balancing Service energy to develop and a market price to be placed on these services. We believe this will offer a truer reflection of the value of Balancing Services to both NGC and the service provider than the current arrangements. The proposed Alternative will increase transparency and means all providers of Mandatory Response will be dealt with on an equal basis using a market based solution. P36 Alternative is preferable to P36 Original as it also accounts for those service providers who are not lead party BMUs or participants in the Balancing Mechanism.

In summary, in assessing this modification against the current baseline we agree with the view of the modification group that the Alternative modification will better facilitate the Applicable BSC Objectives. However, it should be noted that although we support P36 Alternative this is without prejudice to our views on either of the CUSC Amendments.

We hope these comments are useful. Should you wish to discuss any of the points in more detail please do not hesitate to contact me in the first instance on the number given above.

Danielle Lane, Transportation Analyst

P36_MR_009 – Innogy Group

Innogy's comments on P36 Draft Modification Report on behalf of Innogy plc, npower Limited, Innogy Cogen Trading Limited, npower Direct Limited, npower Northern Limited, npower Yorkshire Limited

Introduction

- Currently, energy delivered as a consequence of providing Mandatory Frequency Response is paid for at system prices in the BM either as spilled energy or as a shortfall. It is recognised that this transaction will result in an imbalance cost and a mechanism in CUSC seeks to compensate for this imbalance exposure. Other services may also have a compensation payment as part of commercial agreements.

Features of P36

- P36 would pay for delivered energy as if delivered through bids and offers for certain services whilst P36 Alternative would also allow for the removal of a calculated volume of energy from the provider's account for other services. This will allow the energy delivered as a consequence of providing certain services to be treated in exactly the same way as other balancing energy delivered as a result of accepted bids or offers or by way of other balancing services. Where bids and offers are not available, P36 Alternative will allow the estimated energy to be removed from the provider's account and allow for payment for the energy elsewhere.
- Payment for mandatory Frequency Response energy at bid or offer prices through the BSC would keep the energy payment in the same place as the current arrangements but, because the energy is priced appropriately, removes the requirement for a compensation payment under CUSC. This would simplify CUSC and remove any perverse incentives not to provide any component of Response that is not properly compensated when using an administered 'reference price' in CUSC.
- Pricing energy at bid or offer prices would allow the S.O. to compare properly the price of energy delivered automatically from responsive plant with that provided by the acceptance of bids and offers in the BM or other balancing services. This should facilitate improved decision-making leading to a more efficient purchase of balancing energy.

- Allowing providers to price automatically delivered energy through bids and offers should enable the lowest cost providers to offer the most competitive service. It also encourages providers to ensure that they deliver accurately the expected energy volumes so as to reduce the volume risk that they are exposed to when providing Response.
- Placing automatically delivered energy on the same footing as other balancing energy should lead to increased competition in the provision of all forms of balancing energy. Perverse incentives associated with a single reference price would be removed thus encouraging more providers to participate in the provision of mandatory Frequency Response.

Conclusion

- Innogy supports P36 and P36 Alternative as they better facilitate the efficient, economic and co-ordinated operation by NGC of the transmission system, and promote effective competition in the generation and supply of electricity.

P36_MR_010 – GPU Power UK

Please find that GPU Power UK response to P36 - The Generation for Bid Offer Acceptances Relating to Energy Delivered as a Result of Providing Applicable Balancing Services is 'No Comment'.

Rachael Gardener

Deregulation Control Group & Distribution Support Office

GPU POWER.NETWORKS (UK) plc