

1 SUMMARY AND RECOMMENDATION

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 concluded that there is an existing means of resolving the issue raised in the Proposal namely the Manifest Error process, although it recognised that some clarification of this process is required. It noted that errors that could be treated under the P14 proposal are expected to be rare (a maximum of 10 occurrences per annum). It also noted that although the Proposal would provide better indicative pricing information when such errors occurred, the BSC System changes required would be significant and costly. It noted that the Alternative developed during the Assessment Phase would provide a lower cost solution but would not provide better pricing information. It also had concerns that both the Proposal and the Alternative undermined the existing role of the Trading Disputes Committee by transferring responsibility for confirmation of a Manifest Error to the Parties involved. The Panel therefore concluded that neither the Proposal nor the Alternative better facilitated achievement of the Applicable BSC Objectives. It therefore recommends to the Authority that:

Modification Proposal P14 and the Alternative be rejected.

Background

The National Grid Company plc (NGC) raised the Modification on 22nd May 2001. Modification P14 proposes that Bid-Offer Acceptances can be bilaterally agreed as erroneous between the Transmission Company and the counter-party when they have not yet been acted upon. At its meeting on 31st May 2001, the Panel agreed (Panel paper 19/003) that Modification P14 should be submitted to the Assessment Procedure.

The initial consultation was conducted in June and the responses were predominantly negative with a widespread concern at decision making moving from the Trading Disputes Committee and a subsequent loss of transparency.

The P14 Modification Group was drawn from the Error Processing Modification Group and additionally included a governance expert by request from the Panel. The Group assessed the Modification, considered the consultation responses, developed an Alternative, and prepared an Assessment Report. It recommended that the Modification and its Alternative should be rejected, and that a clarification of the Manifest Error should be produced. The clarification has been subsequently developed by ELEXON and NGC and is being presented to the Trading Disputes Committee on 18 September 2001.

The Panel considered the Assessment Report at its meeting on 23 August 2001 (Panel paper 29/015) and agreed that that the draft Modification Report to be consulted upon should contain a recommendation to the Authority that the Modification and its Alternative should be rejected. The draft Report was sent out for consultation on 28th August and the responses unanimously supported the recommendation