

August 2001

**ASSESSMENT REPORT**  
**MODIFICATION PROPOSAL P14 –**  
**Manifest Error Provisions where the Bid/Offer**  
**Acceptance in question has not been acted upon**  
  
**Prepared by the Error Processing Modification**  
**Group on behalf of the Balancing and Settlement**  
**Code Panel**

<b>Document Reference</b>	MAR 014
<b>Version no.</b>	1.0
<b>Issue</b>	Final
<b>Date of Issue</b>	15/08/01
<b>Reason for Issue</b>	For Panel Decision
<b>Author</b>	ELEXON

## I DOCUMENT CONTROL

### a Authorities

Version	Date	Author	Signature	Change Reference
0.1	10/08/01	Clive Cushen		
1.0	15/08/01	Clive Cushen		Incorporates review comments

Version	Date	Reviewer	Signature	Responsibility
0.1		Error Processing Modification Group members		Meets requirements of Modification Group
1.0		Catherine Forrester		Modification Group Chair & Elexon Performance Management

### b Distribution

Name	Organisation
Error Processing Modification Group	
Panel	

### c Intellectual Property Rights and Copyright

This document contains materials the copyright and other intellectual property rights in which are vested in ELEXON Limited or which appear with the consent of the copyright owner. These materials are made available for you to review and to copy for the purposes of the establishment, operation or participation in electricity trading arrangements in Great Britain under the BSC. All other commercial use is prohibited. Unless you are a person having an interest in electricity trading in Great Britain under the BSC you are not permitted to view, download, modify, copy, distribute, transmit, store, reproduce or otherwise use, publish, licence, transfer, sell or create derivative works (in whatever format) from this document or any information obtained from this document otherwise than for personal academic or other non-commercial purposes. All copyright and other proprietary notices contained in the original material must be retained on any copy that you make. All other rights of the copyright owner not expressly dealt with above are reserved.

## **II CONTENTS TABLE**

<b>I</b>	<b>Document Control.....</b>	<b>2</b>
<b>a</b>	<b>Authorities.....</b>	<b>2</b>
<b>b</b>	<b>Distribution .....</b>	<b>2</b>
<b>c</b>	<b>Intellectual Property Rights and Copyright .....</b>	<b>2</b>
<b>II</b>	<b>Contents Table .....</b>	<b>3</b>
<b>1</b>	<b>Summary and Recommendations .....</b>	<b>4</b>
<b>1.1</b>	<b>Recommendations .....</b>	<b>4</b>
<b>1.2</b>	<b>Background .....</b>	<b>4</b>
<b>1.3</b>	<b>Rationale for Recommendations.....</b>	<b>4</b>
<b>2</b>	<b>Introduction.....</b>	<b>5</b>
<b>3</b>	<b>Purpose and Scope of the Report .....</b>	<b>6</b>
<b>4</b>	<b>Modification Group Details .....</b>	<b>9</b>
<b>5</b>	<b>Description and Assessment Against the Applicable BSC Objectives.....</b>	<b>10</b>
<b>6</b>	<b>Impact Assessment .....</b>	<b>11</b>
<b>7</b>	<b>Summary of Representations.....</b>	<b>12</b>
<b>8</b>	<b>Summary of Transmission Company Analysis.....</b>	<b>13</b>
<b>9</b>	<b>Project Brief .....</b>	<b>14</b>

## 1 SUMMARY AND RECOMMENDATIONS

### 1.1 Recommendations

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 Modification Group recommends that the BSC Panel should:

- a) **Proceed to the Report Phase and recommend to the Authority that the modification proposal/alternative modification proposal be rejected;**
- b) **Note that experience of the current arrangements for manifest error processing has demonstrated a lack of clarity under certain circumstances, particularly with regard to the utilisation of existing workarounds, and that this is being followed up by Elexon.**

### 1.2 Background

Modification P14 was proposed by the National Grid Company as a means to agree bilaterally that a Manifest Error had occurred for certain bid/offers that had not been acted upon. The Panel decided that it should proceed to Assessment stage (Paper 19/003). The consultation responses to P14 were predominantly negative and the Error Processing Modification Group agreed not to progress the original proposal, but to consider a less expensive, procedurally based alternative. The group subsequently determined that even the alternative did not warrant the cost of progressing to a detailed impact assessment.

### 1.3 Rationale for Recommendations

The Modification Group determined that there were insufficient benefits to pursue the proposal on the grounds that:

- There is an existing means of resolution, albeit with some clarification required;
- Projected cost savings from the implementation of P14 were probably only slightly greater than the cost of performing a detailed impact assessment (see page 10);
- Manifest Errors that could be treated under the P14 proposal are expected to be rare (a maximum of 10 occurrences per annum);
- Concerns about decision making moving from the TDC to the NGC could only be partially allayed by mitigating actions to improve visibility.

## **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.

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

### 3 PURPOSE AND SCOPE OF THE REPORT

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

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

The Panel may decide to submit a Modification Proposal to an 'Assessment Procedure'<sup>1</sup>. Under this procedure, a Modification Group is tasked with undertaking a detailed assessment of the proposal to evaluate whether it better facilitates achievement of the Applicable BSC Objectives<sup>2</sup>. The group may also develop an alternative proposal if it believes that the alternative would better facilitate achievement of the objectives.

The Modification Group must prepare a report for the Panel, setting out the results of the assessment of the modification proposal and any alternative. The following matter should be included (to the extent applicable to the proposal in question)<sup>3</sup>:

- (a) an analysis of and the views and rationale of the Modification Group as to whether (and, if so, to what extent) the Proposed Modification would better facilitate achievement of the Applicable BSC Objective(s);
- (b) a description and analysis of any Alternative Modification developed by the Modification Group which, as compared with the Proposed Modification, would better facilitate achievement of the Applicable BSC Objective(s) and the views and rationale of the Group in respect thereof;
- (c) an assessment or estimate (as the case may be) of:
  - (i) the impact of the Proposed Modification and any Alternative Modification on BSC Systems;
  - (ii) any changes and/or developments which would be required to BSC Systems in order to give effect to the Proposed Modification and any Alternative Modification;
  - (iii) the total development and capital costs of making the changes and/or delivering the developments referred to in paragraph (ii);
  - (iv) the time period required for the design, build and delivery of the changes and/or developments referred to in paragraph (ii);
  - (v) the increase or decrease in the payments due under the BSC Agent Contracts in consequence of the Proposed Modification and any Alternative Modification;
  - (vi) the additional payments (if different from those referred to in paragraph (v)) due in connection with the operation and maintenance of the changes and/or developments to BSC Systems as a result of the Proposed Modification and any Alternative Modification;

---

<sup>1</sup> See BSC F2.6

<sup>2</sup> As defined in the Transmission Licence

<sup>3</sup> See BSC F2.6.4 and Annex F-1

- (vii) any other costs or liabilities associated with BSC Systems attributable to the Proposed Modification and any Alternative Modification;
- (d) an assessment of:
- (i) the impact of the Proposed Modification and any Alternative Modification on the Core Industry Documents;
  - (ii) the changes which would be required to the Core Industry Documents in order to give effect to the Proposed Modification and any Alternative Modification;
  - (iii) the mechanism and likely timescale for the making of the changes referred to in paragraph (ii);
  - (iv) the changes and/or developments which would be required to central computer systems and processes used in connection with the operation of arrangements established under the Core Industry Documents;
  - (v) the mechanism and likely timescale for the making of the changes referred to in paragraph (iv);
  - (vi) an estimate of the costs associated with making and delivering the changes referred to in paragraphs (ii) and (iv),
- together with a summary of representations in relation to such matters;
- (e) an assessment of:
- (i) the likely increase or decrease in BSC Costs (to the extent not already taken into account in paragraph (c) above) in consequence of the Proposed Modification and any Alternative Modification;
  - (ii) the changes required to Systems and processes of BSCCo in order to give effect to the Proposed Modification and any Alternative Modification; and
  - (iii) the BSC Costs which are expected to be attributable to the implementation of the Proposed Modification and any Alternative Modification, to the extent not taken into account under any other provision above;
- (f) to the extent such information is available to the Modification Group, an assessment of the impact of the Proposed Modification and any Alternative Modification on Parties in general (or classes of Parties in general) and Party Agents in general, including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating costs associated with implementing the changes to the Code and to Core Industry Documents;
- (g) an assessment of the Proposed Modification and any Alternative Modification in the context of the statutory, regulatory and contractual framework within which the Code sits (taking account of relevant utilities, competition and financial services legislation);
- (h) a summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Proposed Modification and any Alternative Modification and the views and comments of the Modification Group in respect thereof;
- (i) a summary of the analysis and impact assessment prepared by the Transmission Company and the views and comments of the Modification Group in respect thereof;

- (j) a summary of the impact assessment prepared by relevant BSC Agents and the views and comments of the Modification Group in respect thereof;
- (k) a summary of any impact assessment prepared by Core Industry Document Owners and the views and comments of the Modification Group in respect thereof;
- (l) a copy of the terms of reference and any report or analysis of external consultants or advisers engaged in respect thereof;
- (m) a list of the key assumptions which the Modification Group has made in formulating its views;
- (n) any other matters required by the terms of reference of such Modification Group;
- (o) any other matters which the Modification Group consider should properly be brought to the attention of the Panel to assist the Panel in forming a view as to whether the Proposed Modification and any Alternative Modification would better facilitate achievement of the Applicable BSC Objective(s);
- (p) subject to paragraph 2.6.8 and 2.6.9 of Section F of the BSC, the proposed text to modify the Code in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Code which would be affected by the changes;
- (q) the Modification Group's proposed Implementation Date(s) for implementation (subject to the consent of the Authority) of the Proposed Modification and any Alternative Modification;
- (r) an executive summary of the project brief prepared by BSCCo;
- (s) a recommendation (where applicable) as to whether, if the Proposed Modification or Alternative Modification is approved, Settlement Runs and Volume Allocation Runs carried out after the Implementation Date of such Approved Modification in respect of Settlement Days prior to that date should be carried out taking account of such Approved Modification or not;
- (t) the proposed text (if any) to modify the Memorandum and Articles of Association of BSCCo and/or the BSC Clearer in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Memorandum and Articles of Association and/or the Code which would be affected by the changes; and
- (u) a summary of any changes which would be required to Code Subsidiary Documents as a consequence of such Proposed Modification or Alternative Modification.

This Assessment Report therefore addresses all of the above items to the extent relevant to the Modification Proposal in question.



#### **4 MODIFICATION GROUP DETAILS**

This Assessment Report has been prepared by the Error Processing Modification Group. The Membership of the Modification Group was as follows:

Catherine Forrester (Elexon – Chair)

Nick Fee (NGC – proposer)

Peter Bolitho (Powergen)

Mike Harrison (ScottishPower)

Sarah Grimes (BGT)

David Lenton (St. Clements)

David Hunt (Ofgem)

## 5 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

Modification P14 was proposed by the National Grid Company as a means to agree bilaterally (between NGC and a Party) that a Manifest Error had occurred for certain bid/offers that had not yet been acted upon.

The historic position was that 3 Manifest Error claims had arisen during live operation. Of these, only one would have been amenable to the proposal or its alternative. It was also noted that all 3 Manifest Errors had occurred during the first 2 months of operation. The assumption used by NGC was that 10 such incidents would occur per annum; some members of the Modification Group were of the view that the number would be lower.

Analysis undertaken by NGC and Elexon showed potential savings of 5 man-days per incident, split between the organisations. On this basis, and using the assumption of 10 incidents per annum; a total cost saving of 50 man-days per annum (i.e.£25K @ £500 per man day). The estimated costs of proceeding with the Detailed Analysis were £20K, and this was a factor in the Group's majority decision not to proceed further.

In relation to the specific Applicable BSC Objectives the Mod Group came to the following views on P14:

- (a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence; **P14 does not further this objective**
- (b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System; **P14 does not further this objective**
- (c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity; **P14 does not further this objective**
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements; **P14 marginally furthers this objective**

## 6 IMPACT ASSESSMENT

As a result of the recommendation no impact assessment was carried out beyond the Initial Written Assessment on

- BSC and BSCCo documentation
- BSC Systems
- Core Industry documents and supporting arrangements
- Elexon
- Parties and Party Agents
- Legal Issues

## 7 SUMMARY OF REPRESENTATIONS

Respondent	Support for P14	Issues/concerns	Other Comments
Scottish & Southern Energy	No	NGC conflict of interest	- Interaction with P12 - Questionable cost benefit
Seeboard	N/A		Not sufficient information to fully assess
Innogy	Neutral	- Decision moving from TDC to NGC - need extra safeguards in process	- Mods group needs governance expertise
TXU Europe	No	Decision moving from TDC to NGC	
British Energy	Principle – Yes Specifics - No	- NGC conflict of interest - Reduces transparency	- Improvements to Errors process required - Alternative suggested
Northern Electric	No	- Decision moving from TDC to NGC - need extra safeguards in process	Improvements to Errors process required
ScottishPower	Principle - Yes	need extra safeguards in process e.g. - fee applies - counterparty retains right to Error claim - frequency limits	- Want to assess Legal drafting of Code(s) - Parallel drafting of BSC & Grid Codes required
London Electricity	No	- Reduces transparency - Clarity of Offer-rescinding procedure - Impact of Offer-rescinding procedure on Participants	- Questionable cost benefit - Questionable contribution to BSC objective - Suggest at least 9 months before implementation to achieve stability & limited lifespan
Dynergy	Principle – Yes Specifics - No	- NGC conflict of interest - Decision moving from TDC to NGC - need extra safeguards in process	Suggest additional safeguards: - audit of NGC decisions by TDC with right to overturn
Powergen	No	- potential for abuse - NGC conflict of interest - Reduces transparency	Cites analogous position of Transco in Gas industry erroneously accepting capacity bids.

## **8 SUMMARY OF TRANSMISSION COMPANY ANALYSIS**

No impact assessment was carried out beyond the Initial Written Assessment.

## **9 PROJECT BRIEF**

No project brief has been prepared in the light of the recommendation.