

May 2001

**INITIAL ASSESSMENT OF
MODIFICATION PROPOSAL P14**

**Manifest Error Provisions Where
the Bid/Offer Acceptance in
Question Has Not Been Acted upon**

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A DOCUMENT CONTROL

a Authorities

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c Intellectual Property Rights

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1 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

2 EXECUTIVE SUMMARY

Modification Proposal P14 was submitted on 22 May 2001 by National Grid. An initial assessment has identified the following potential areas of impact and issues to be considered:

- In addition to changes to the BSC the proposed modification would require enhancements to the NGC to Settlements interface and to the Settlements and BM Reporting systems;
- Corresponding changes would need to be made to the Grid code, NGC systems and the interface to participants;
- the Proposal implies that in certain cases the decision on whether a Manifest Error occurred moves from the Panel (or Trading Disputes Committee) to NGC. Is this appropriate? Are safeguards required to ensure that competition in the Balancing Mechanism isn't undermined by arbitrary and unaccountable decisions?
- whether the Proposal facilitates achievement of the Applicable BSC Objectives; and
- whether there is a risk that it could discourage participation in the Balancing Mechanism, and hence impede achievement of Condition 7A(3)(c) (effective competition in the generation and supply of electricity);

It is recommended that the Modification Proposal is progressed as follows:

- Modification Proposal P14 should be submitted to the Assessment Procedure, allowing two months to report; and
- the Price Modification Group (formed for P8) is used as the basis for the modification group.

3 PURPOSE AND SCOPE OF THE REPORT

Section F of the BSC 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).

When a new proposal to modify the BSC is made, it is the responsibility of the Panel to determine how it should be progressed. Options include submitting the proposal to a Definition Procedure¹, submitting it to an Assessment Procedure², amalgamating the proposal with another proposal³, or proceeding directly to the Report Phase⁴. With a view to assisting the Panel in taking this decision, ELEXON prepares this initial written assessment of the implications of the Modification Proposal as soon as reasonably practicable after the proposal is made⁵. ELEXON endeavours to complete this initial assessment such that it can be reviewed by the Panel at the Panel meeting at which the relevant Modification Proposal is first to be considered.

This initial assessment provides a preliminary view on the following:

- the potential impact of the proposed modification on BSC systems and processes;
- the potential impact of the proposed modification on other systems and processes used by Parties;
- the potential impact of the proposed modification on the BSC, Code Subsidiary Documents and Core Industry Documents;
- the potential impact of the proposed modification on ELEXON;
- the potential impact of the proposed modification on BSC financial arrangements and budget;
- the potential impact of the proposed modification on BSC Agent contractual arrangements;
- The process and timetable that should be adopted for the progression of the Modification Proposal, in light of its complexity, importance and urgency; and
- Issues that will need to be considered and addressed in progressing the Modification Proposal (including the potential need for impact assessments, consultation and analyses).

It should be noted that, as this document only represents a preliminary assessment of the Modification Proposal, the information contained herein will, in most cases, be superseded by the subsequent analysis and reports produced by the Modification Group to which the Panel assigns the proposal for consideration.

¹ see BSC F2.5

² see BSC F2.6

³ see BSC F2.3

⁴ see BSC F2.7

⁵ see BSC F2.1.8

4 DETAILS OF THE MODIFICATION PROPOSAL

A copy of the Modification Proposal form, as submitted by its proposer, can be found at Annex 1 to this report. The form contains the following information provided by the proposer in relation to the proposal⁶:

- the name of the Proposer;
- the name of the representative of the Proposer (and his alternate) who shall represent the Proposer in person;
- a description (in reasonable but not excessive detail) of the issue or defect which the proposed modification seeks to address;
- a description (in reasonable but not excessive detail) of the proposed modification and of its nature and purpose;
- where possible, an indication of those parts of the Code which would require amendment in order to give effect to (and/or would otherwise be affected by) the proposed modification and an indication of the nature of those amendments or effects;
- the reasons why the Proposer believes that the proposed modification would better facilitate achievement of the Applicable BSC Objective(s) as compared with the then current version of the Code;
- where possible, an indication of the impact of the proposed modification on Core Industry Documents; and
- where possible, an indication of the impact of the proposed modification on BSC Systems and on other relevant computer systems and processes used by Parties.

⁶ See BSC F2.1.2

5 IMPACT ON BSC SYSTEMS AND PROCESSES

BSC System / Process	Potential Impact of Proposed Modification
Registration	No impact identified.
Contract Notification	No impact identified.
Credit Checking	No impact identified.
Balancing Mechanism Activities	Significant impact to the interface between Transmission Company and BSC Agents, and to BSC Agent systems
Collection and Aggregation of Metered Data	No impact identified.
Supplier Volume Allocation	No impact identified.
Settlement	Significant impact to the acceptance volume calculation
Clearing, Invoicing and Payment	No impact identified.
Reporting	Some impact on the reporting in BMRS
Dispute Resolution	No impact identified.

6 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

System / Process	Potential Impact of Proposed Modification
Party Control Point systems and processes	Impact of handling rescinded acceptances

7 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

7.1 Impact on Balancing and Settlement Code

BSC Section	Potential Impact of Proposed Modification
A: Parties and Participation	No impact identified.
B: The Panel	No impact identified.
C: BSCCo and its Subsidiaries	No impact identified.
D: BSC Cost Recovery and Participation Charges	No impact identified.
E: BSC Agents	No impact identified.
F: Modification Procedures	No impact identified.
G: Contingencies	Possible impact on G3
H: General	No impact identified.
I: Not Used	-
J: Party Agents	No impact identified.
K: Classification and Registration of Metering Systems and BM Units	No impact identified.
L: Metering	No impact identified.
M: Credit Cover and Credit Default	No impact identified.
N: Clearing, Invoicing and Payment	No impact identified.
O: Communications	No impact identified.

BSC Section	Potential Impact of Proposed Modification
P: Energy Contract Volumes and Metered Volume Reallocations	No impact identified.
Q: Balancing Mechanism Activities	Impact on Q5 and Q7
R: Collection and Aggregation of Metered Data from CVA Metering Systems	No impact identified.
S: Supplier Volume Allocation	No impact identified.
S: ANNEX S-1 Performance Levels and Supplier Charges	No impact identified.
S: ANNEX S-2 Supplier Volume Allocation Rules	No impact identified.
T: Settlement and Trading Charges	No impact identified.
U: Provisions Relating to Settlement	No impact identified.
V: Reporting	Potential impact on V2 and Annex V-1 arising from BMRS acceptance volume calculation and notice posting
W: Trading Queries and Trading Disputes	No impact identified.
X: Definitions and Interpretation	No impact identified.
X: ANNEX X-1 General Glossary	No impact identified.
X: ANNEX X-2 Technical Glossary	No impact identified.

7.2 Impact on Code Subsidiary Documents

Code Subsidiary Document	Potential Impact of Proposed Modification
BSC Procedures	No impact identified.

Code Subsidiary Document	Potential Impact of Proposed Modification
Codes of Practice	No impact identified.
BSC Service Descriptions	Potential impact on SAA & BMRS SDs to capture additional obligations
Party Service Lines	No impact identified.
Data Catalogues	Impact on the NETA Data file Catalogue for change to NGC to SAA and BMRS interface and for potential change to EDL/EDT interface.
Communication Requirements Documents	No impact identified.
Reporting Catalogue	Potential impact for changes to BMRS reporting, and Settlement report.

7.3 Impact on Core Industry Documents

Core Industry Document	Potential Impact of Proposed Modification
Grid Code	Requires corresponding changes
MCUSA	No impact identified.
Supplemental Agreements	No impact identified.
Ancillary Services Agreements	No impact identified.
Master Registration Agreement	No impact identified.
Data Transfer Services Agreement	No impact identified.
British Grid Systems Agreement	No impact identified.
Use of Interconnector Agreement	No impact identified.
Pooling and Settlement Agreement	No impact identified.
Settlement Agreement for Scotland	No impact identified.
Distribution Codes	No impact identified.

Core Industry Document	Potential Impact of Proposed Modification
Distribution Use of System Agreements	No impact identified.
Distribution Connection Agreements	No impact identified.

8 IMPACT ON OTHER CONFIGURABLE ITEMS

Item	Potential Impact of Proposed Modification
Settlement Administration Agent(SAA) User Requirements Specification(URS)	Changes to receive 'erroneous' and 'rescinding' acceptances from the Transmission Company and exclude them from volume calculations. Potential change to Settlement report to include these acceptances.
Balancing Mechanism Reporting Agent(BMRA) User Requirements Specification(URS)	Changes to receive 'erroneous' and 'rescinding' acceptances from the Transmission Company and exclude them from volume calculations. Additional Notification report required.
Interface Data Definition(IDD)	Potential impact reflecting changes in the Catalogue

9 IMPACT ON ELEXON

Area of Business	Potential Impact of Proposed Modification
ELEXON Systems	No impact identified.
ELEXON Procedures	No impact identified.
ELEXON Contracts (Excluding BSC Agent Contracts)	No impact identified.
Other (e.g. costs, staffing, etc.)	Positive effect through reduced number of Manifest Errors raised

10 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

None identified at this stage; note that the cost of Manifest Error handling is covered by the levying of a fixed fee.

11 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

BSC Agent Contract	Potential Impact of Proposed Modification
Logica (BMRA, CRA, CDCA, SAA, ECVAA, TAA(CVA))	Impacted by changed to Service Descriptions (see above)
EPFAL (FAA)	No impact identified.
ESIS (TAA(SVA))	No impact identified.
Cap Gemini (SVAA)	No impact identified.
PwC (BSC Auditor, Certification Agent)	No impact identified.
EASL (Teleswitch Agent, Profile Administrator)	No impact identified.

12 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

Initial assessment of this Modification Proposal P14 has potentially significant impact on BSC Agent systems and processes, together with an impact on NGC and Party systems through the Grid Code. ELEXON recommends that the Price Modification Group (formed for P8) be used as the basis for this Assessment. The Modification Group should be actioned to provide its report to the Panel within two months.

13 ISSUES

The following issues will need to be considered and addressed in progressing Modification Proposal P14:

- the Proposal implies that in certain cases a decision on whether a Manifest Error occurred moves from the Panel (or Trading Disputes Committee) to NGC. Is this appropriate? Are safeguards required to ensure that competition in the Balancing Mechanism isn't undermined by arbitrary and unaccountable decisions?
- whether the Proposal facilitates achievement of the Applicable BSC Objectives;
- whether there is a risk that it could discourage participation in the Balancing Mechanism, and hence impede achievement of Condition 7A(3)(c) (effective competition in the generation and supply of electricity);
- the need to progress the corresponding Grid Code changes through the joint change process; and
- the need to conduct full impact assessments by the relevant BSC agents.

ANNEX 1 – MODIFICATION PROPOSAL

Modification Proposal	MP No: <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Manifest Error Provisions Where the Bid/Offer Acceptance In Question Has Not Been Acted Upon	
Submission Date <i>(mandatory by proposer):</i> 22 May 2001	
<p>Description of Proposed Modification <i>(mandatory by proposer):</i></p> <p>At present when a Manifest Error is made the Trading Disputes Committee can only amend the resultant imbalance prices and award costs where a party can demonstrate that they have been incurred. If the System Operator realises that an error has occurred before the bid or offer has been delivered it must either allow the offer to be delivered, or issue an "unwinding" acceptance. The former approach will incur costs which the counter party will then seek to recover, whilst the latter is likely to prove very expensive and further distort prices. In both cases the Trading Disputes Committee will ultimately be asked to resolve a complex case by amending the imbalance prices and identifying costs. It would be more effective and efficient to simply cancel or rescind the erroneous instruction.</p> <p>The proposed process would work as follows:</p> <ol style="list-style-type: none"> 1. National Grid identifies that a bid/offer acceptance would constitute a Manifest Error. 2. National Grid contacts the counter party and identifies to what extent the bid/offer can be rescinded and what volume is already being delivered. 3. National Grid rescinds the volume of the bid/offer which can be cancelled. The bid/offer acceptance stands for the volume that is already being delivered. 4. National Grid will call a Manifest Error if either: <ol style="list-style-type: none"> a) the counter party requests it on the basis that it has incurred material costs, or b) National Grid believes it is justified on the cost of the volume already delivered. <p>Otherwise the only further actions will be to inform the market of the error and exclude the "erroneous" and "rescinding" acceptances from setting imbalance prices.</p>	
<p>Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i></p> <p>The modification represents a more effective and efficient way of dealing with bid/offer acceptance errors that are identified before they have been acted upon.</p>	
<p>Impact on Code <i>(optional by proposer):</i></p> <p>Section Q5 and Q7 of the code would need to be modified.</p>	

Modification Proposal	MP No: <i>(mandatory by BSCCo)</i>
Impact on Core Industry Documents <i>(optional by proposer):</i> Corresponding changes would need to be made to the Grid Code.	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> Central Systems would need to be amended to recognise the concept of rescinding an instruction. (As a work around, the instruction in question could be manually over-written in the file).	
Impact on other Configurable Items <i>(optional by proposer):</i> None	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> The modification represents a more effective and efficient way of dealing with bid/offer acceptance errors that are identified before they have been acted upon. It therefore meets the objective of "promoting efficiency in the implementation and administration of the balancing and settlement arrangements."	
Details of Proposer: Name: Alan Robb Organisation: National Grid Telephone Number: 0118 936 3132 Email Address: Alan.Robb@uk.ngrid.com	
Details of Proposer's Representative: Name: Alan Robb Organisation: National Grid Telephone Number: 0118 936 3132 Email Address: Alan.Robb@uk.ngrid.com	
Details of Representative's Alternate: Name: Nick Fee Organisation: National Grid Telephone Number: 0118 936 3495 Email Address: Nick.Fee@uk.ngrid.com	

Modification Proposal	MP No: <i>(mandatory by BSCCo)</i>
Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	