



09 May 2001

## **MODIFICATION REPORT**

### **MODIFICATION PROPOSAL P6 – REMOVAL OF OBLIGATION TO PUBLISH PRICE DATA IN FT**

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

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## I DOCUMENT CONTROL

### a Authorities

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0.1	11/04/01	ELEXON		Draft for consultation
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1.0	09/05/01	ELEXON		Final version for decision

Version	Date	Reviewer	Signature	Responsibility
0.2	27/04/01	BSC Panel		Confirmation of recommendations
1.0	09/05/01	Dorcas Batstone		Head of Modifications

### b Distribution

Name	Organisation
The Gas and Electricity Markets Authority	Ofgem
BSC Panel	Various
BSC Website	-

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## 1 SUMMARY AND RECOMMENDATIONS

The BSC currently places an obligation on ELEXON to publish System Sell Price and System Buy Price information in the press following each Initial Settlement Run (BSC section V4.2.6(a)). It is proposed that this obligation be removed, but that the price data should continue to be published on the BSC Website.

On the basis of the consultation and assessment undertaken in respect of this Modification Proposal, and the resultant findings of this report, the BSC Panel makes the following recommendations:

- 1. The Authority should approve this Proposed Modification.**
- 2. If approved, the Proposed Modification should be implemented with immediate effect.**
- 3. ELEXON should develop reliable contingency arrangements to cover the situation where it is not possible to publish price data via the BSC Website.**

The Panel believes that this modification would better facilitate the achievement of the Applicable BSC Objectives contained in Condition 7A of the Transmission Licence. In particular, the modification is justified with reference to the objective in Condition 7A(3)(d) (*'promoting efficiency in the implementation and administration of the balancing and settlement arrangements'*), as it will materially reduce costs to participants without any significant reduction in the transparency of price information.

The proposed modification has no impact on any of the other objectives, as set out in Condition 7A(3)(a) to (c).

## 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](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).

A Modification Report must be prepared and submitted to the Authority in respect of each proposed modification and must contain:

- (a) The recommendation of the Panel as to whether or not the Proposed Modification or any Alternative Modification should be made;
- (b) The proposed Implementation Date for implementation of the Proposed Modification or any Alternative Modification;
- (c) The matters set out in Annex F-1 of the BSC, to the extent applicable to the proposal. This will usually be in the form of the relevant Assessment Report where the Proposal has been submitted to a Modification Group prior to the Report Phase;
- (d) An explanation of the Panel's rationale should the Panel form a different view of any matters contained in any Modification Group Report; and
- (e) 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.

## 4 HISTORY OF PROPOSED MODIFICATION

Section V4.2.6 of the BSC states:

*'The System Sell Price and the System Buy Price for each Settlement Period in a Settlement Day shall be:*

- (a) published in the Financial Times (or such other newspaper as the Panel considers appropriate); and*
- (b) published on the BSC Website (and displayed for a period of 30 days),*

*as soon as reasonably practicable after the Initial Settlement Run in respect of such Settlement Day has been carried out and BSCCo has received such data from the SAA.'*

Following the designation of the BSC in August 2000, ELEXON identified that the cost associated with price publication in the Press was significant (a six figure sum per annum) and was set to rise sharply in coming years under the existing contract with the FT under which Electricity Pool prices had been published previously. Given that imbalance price information would be made available daily on the BSC Website and the BM Reports Website, ELEXON sought the views of the Panel as to whether it would continue to be necessary to publish the same data in the press under the new trading arrangements.

ELEXON also entered into discussions with the FT and a number of similar publications to establish whether the price information in question could be published as a free daily news item. However, this proposal was declined on the grounds that such information was not of interest to a sufficiently broad readership. The Panel was of the view that the high cost of publishing the prices within an advertisement did not appear to be commercially justified. In light of the high cost to participants of newspaper publication of information already found on the BSC and BM Reports websites, the Panel agreed:

- that ELEXON should identify the least cost option for publication via advertising space in a broadsheet newspaper until such time as the requirement to publish could be removed by a BSC modification; and
- that ELEXON should review whether a possible modification to the BSC would better facilitate the objective in Condition 7A(3)(d) of the Transmission Licence (efficiency in the implementation and administration of the balancing and settlement arrangements).

Having considered the costs and the fact that the prices are published on the BSC Website, ELEXON reached the view that a modification to remove the obligation to publish price information in the press was justified as it would promote efficiency in the implementation and administration of the balancing and settlement arrangements by greatly reducing costs to participants without any significant reduction in the transparency of price information. Section C3.8.8 of the Code states:

*'...BSCCo shall keep under review whether any possible modification of the Code from time to time would better facilitate the objective in Condition 7A(3)(d) of the Transmission Licence, and shall recommend to the Panel any particular such modification which in BSCCo's opinion would do so.'*

ELEXON therefore recommended that the Panel raise the appropriate Modification Proposal under its powers set out in section F2.1.1(d)(i) of the Code.

ELEXON prepared an Initial Written Assessment of the Modification Proposal, which identified that there is no impact on BSC systems or BSC documents in making the change, beyond the removal of section V4.2.6(a) of the Code. However, there are some issues that should be considered in progressing the modification, including:

- a potential impact on any contracts between parties that are indexed to SSP/SBP and which refer to the prices 'as published in the FT'; and
- contingency arrangements for reporting prices should the BSC Website become unavailable for a period of time.

At its meeting on 5 April 2001, the Panel:

- AGREED to raise a Modification Proposal to remove section V4.2.6(a) of the Code in accordance with its powers under section F2.1.1(d)(i) of the Code;
- NOTED the results of the Initial Written Assessment and the associated identified issues;
- ENDORSED that this Modification Proposal should proceed directly to the Report Phase, pursuant to section F2.7 of the Code; and
- ENDORSED the timetable for production of and consultation on the Draft Modification Report and that this be submitted to the Panel meeting on 3 May 2001.

This proposal was logged as Modification Proposal P6.

In accordance with the procedures prescribed in BSC F2.7, ELEXON prepared a Draft Modification Report and published the document on 11 April 2001, inviting representations from interested parties by 25 April 2001.

ELEXON received nine responses to the consultation on the Draft Modification Report, of which seven expressed support for the proposal and made arguments in its favour. Neither of the remaining two responses stated views for or against the proposal. One stated that the decision should be justified on a prudent commercial basis. The other made no comment at all. A number of respondents noted that ELEXON should put in place contingency arrangements to cover the situation where the BSC Website was not available. No responses opposing the proposal were received.

A summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Draft Modification Report can be found in Section 8 below. Copies of the representations are attached as Annex 2.

The Panel considered the Draft Modification Report and the responses received at its meeting on 03 May 2001 and, in light of those responses, confirmed the recommendations to the Authority contained in this report.

## 5 DESCRIPTION OF PROPOSED MODIFICATION

Section V4.2.6 of the BSC states:

*'The System Sell Price and the System Buy Price for each Settlement Period in a Settlement Day shall be:*

- (a) published in the Financial Times (or such other newspaper as the Panel considers appropriate); and*
- (b) published on the BSC Website (and displayed for a period of 30 days),*

*as soon as reasonably practicable after the Initial Settlement Run in respect of such Settlement Day has been carried out and BSCCo has received such data from the SAA.'*

It is proposed that the obligation to in V4.2.6(a) above be removed, such that ELEXON is only obliged to publish the price information on the BSC website.



## 6 RATIONALE FOR PANEL RECOMMENDATIONS

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal, the BSC Panel recommends to the Authority that the Proposed Modification be approved, with an immediate implementation date.

The Panel believes that this modification would better facilitate the achievement of the Applicable BSC Objectives contained in Condition 7A of the Transmission Licence. In particular, the modification is justified with reference to the objective in Condition 7A(3)(d) (*'promoting efficiency in the implementation and administration of the balancing and settlement arrangements'*), as it will materially reduce costs to participants without any significant reduction in the transparency of price information.

The proposed modification has no impact on any of the other objectives, as set out in Condition 7A(3)(a) to (c).

The Panel is mindful of the fact that the prices in question would not be published in the press until approximately 29 days after the settlement periods to which they apply, given the settlement timetable under the BSC. Furthermore, the prices are residual, relating only to imbalance settlement. They do not provide an indication of the wholesale price of electricity in the way that published Pool prices did in the past. The System Buy and System Sell price information will be widely available via the BSC Website and other price reporting sources. In light of this, the Panel is of the view that the significant cost associated with newspaper publication is not commercially justified.

The Panel recommends an immediate implementation date for this modification in order to allow the resulting cost savings to be realised at the earliest opportunity.

## 7 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

### 7.1 Conformed Version

Section V4.2.6 of the BSC to be amended, as follows:

4.2.6 The System Sell Price and the System Buy Price for each Settlement Period in a Settlement Day shall be:

~~(a) published in the Financial Times (or such other newspaper as the Panel considers appropriate); and~~

~~(b) published on the BSC Website (and displayed for a period of 30 days),~~

as soon as reasonably practicable after the Initial Settlement Run in respect of such Settlement Day has been carried out and BSCCo has received such data from the SAA.

### 7.2 Clean Version

Section V4.2.6 of the BSC to read:

4.2.6 The System Sell Price and the System Buy Price for each Settlement Period in a Settlement Day shall be published on the BSC Website (and displayed for a period of 30 days), as soon as reasonably practicable after the Initial Settlement Run in respect of such Settlement Day has been carried out and BSCCo has received such data from the SAA.

## 8 SUMMARY OF REPRESENTATIONS

ELEXON received nine responses to the consultation on the Draft Modification Report, of which seven expressed support for the proposal and made arguments in its favour. Neither of the remaining two responses stated views for or against the proposal. One stated that the decision should be justified on a prudent commercial basis. The other made no comment at all. A number of respondents noted that ELEXON should put in place contingency arrangements to cover the situation where the BSC Website was not available. No responses opposing the proposal were received.

The following table provides an overview of the representations received. Copies of the representations are attached as Annex 2.

	COMPANY NAME	REF	SUPPORTS PROPOSAL (Y/N)	SUMMARY OF COMMENTS
1.	South Western Electricity plc, South Wales Electricity	P6_DR_001	Y	Any benefits of publishing the data in the press are outweighed by the costs.
2.	AES Drax Power Ltd.	P6_DR_002	-	Decision should be justified on a prudent commercial basis.
3.	British Gas Trading	P6_DR_003	Y	Original requirement (from Pool days) is now defunct. Efficiency objective patently met by proposal and transparency of price info will not be jeopardised.
4.	Innogy Group	P6_DR_004	Y	Publication of price data after the event is not comparable to the Pool publication of Day-Ahead prices. Website publication fine subject to reliable contingency arrangements being put in place.
5.	Amerada Hess Gas Ltd, Amerada Hess Gas (Domestic) Ltd, amerada.co.uk Ltd, Midlands Gas Ltd, Western Gas Ltd and Severn Trent Energy Ltd.	P6_DR_005	Y	No advantage in publishing price data in the press. Note need for contingency arrangements in event of website failure.
6.	EdF	P6_DR_006	Y	Need for press publication is unnecessary. Proposal will save money. A contingency arrangement in the event of website failure could be to e-mail the info to parties on request at such times.
7.	NGC	P6_DR_007	No comment.	No comment.

	COMPANY NAME	REF	SUPPORTS PROPOSAL (Y/N)	SUMMARY OF COMMENTS
8.	Northern Electric	P6_DR_008	Y	Strongly supports proposal. High costs associated with press publication cannot be justified when info is readily available via the BSC Website.
9.	Scottish Power	P6_DR_009	Y	Notes need for suitable contingency arrangement (e.g. fax, e-mail).

## **ANNEX 1 - ASSESSMENT**

As it was decided that this proposed modification should proceed directly to the Report Phase, no Modification Group was established to evaluate the proposal. However, the following assessment of the impact of the modification has been produced by ELEXON.

The Proposed Modification will have the following impacts:

- No impact on BSC Systems;
- No increase or decrease in the payments due under BSC Agent Contracts;
- No impact on the Core Industry Documents;
- A decrease in BSC Costs resulting from the termination of contractual arrangements for newspaper publication of price information;
- No impact on the systems and processes of BSCCo;
- No costs attributable to the implementation of the Proposed Modification;
- No impact on Parties in general (or classes of Parties in general) and Party Agents in general
- No impact on the statutory, regulatory and contractual framework within which the Code sits;
- No impact on the Code Subsidiary Documents.

## ANNEX 2 – REPRESENTATIONS

### P6\_DR\_001 South Western Electricity plc and South Wales Electricity

From: Richardson, Natasha E. [SMTP:nrichardson@westernpower.co.uk]  
Sent: 12 April 2001 10:41  
To: 'modifications@elexon.co.uk'  
Cc: Lane, David  
Subject: P6 Report Comments

South Western Electricity plc and South Wales Electricity - trading as Western Power Distribution - fully support the proposal to remove the obligation to publish price data in the FT.

We believe that any benefits of publishing this data are outweighed by the costs.

**P6\_DR\_002 AES Drax Power Ltd.**

From: Christopher Trevor, Drax[SMTP:christopher.trevor@aesc.com]  
Sent: 12 April 2001 16:14  
To: Modifications@elexon.co.uk  
Subject: Re: CONSULTATION ON DRAFT MODIFICATION REPORT P6

Modifications@elexon.co.uk writes:  
>[http://www.elexon.co.uk/ta/modifications/mods\\_docs.html](http://www.elexon.co.uk/ta/modifications/mods_docs.html)

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Dear Sirs,

Many thanks for copy of the proposal.

The paper P6 appears vague in it's construction of applicable cost "a six figure sum"

What alternative methods of publication have been sought and at what cost?

What additional administrative burden will be placed upon ELEXON and specifically at what cost?

Please justify any decision on a prudent commercial basis.

Regards,  
Chris Trevor  
Sales Marketing & Trading  
AES Drax Power Ltd

### **P6\_DR\_003 British Gas Trading**

P6 Draft Modification Report

British Gas Trading Response

British Gas Trading agrees with the recommendations contained in the above report.

In support of the arguments given, we agree with the tenet that the original requirement for publishing price information in the printed media is now defunct and that Parties should not be expected to finance it any further. We believe that the objective relating to efficiency is patently met by this recommendation and that transparency of price information will not be jeopardized.



**P6\_DR\_004 Innogy Group**

From: Ballard, Terry[SMTP:terry.ballard@npower.com]  
Sent: 17 April 2001 13:58  
To: 'Modifications@elexon.co.uk'  
Subject: Modification Proposal P6 - Removal of Obligation to Publish Price Data in the FT

This response is sent on behalf of the Innogy Group of Companies.

We believe that this modification should be introduced.

The original proposal to publish prices in the FT is a carry over from the Pool when Day-Ahead prices were published. Publication of price data after the event is not comparable.

Subject to reliable contingency arrangements being put in place, we see no reason for publication in the FT or similar newspaper if the information is available via a reliable web site.

Terry  
01905-720943  
07989-493038

**P6\_DR\_005 Amerada Hess**

19 April, 2001

Our Ref: BSC/Mod001/DMRreps

Gareth Forrester  
BSC Panel Secretary  
Elexon

By E-mail

Dear Gareth,

P6 Report Comments

Thank you for the opportunity to comment in respect of the report issued for consultation on Modification P6.

Amerada supports this modification, we can see no advantage to the current obligation to publish Price Data in the FT or other suitable publication as well as on the website.

We note the point on contingency arrangements should the Elexon website be unavailable and agree that appropriate alternative arrangements should be put in place.

As the holder of several licences, this letter represents the views of Amerada Hess Gas Ltd, Amerada Hess Gas (Domestic) Ltd, amerada.co.uk Ltd, Midlands Gas Ltd, Western Gas Ltd and Severn Trent Energy Ltd.

Yours sincerely

Alison Kuck  
Transportation Contract Manager

**P6\_DR\_006 EdF**

EdF: P6 - The proposal to remove the obligation to publish data in the FT is reasonable. It will save money and with all the data available on the website and the fact that people are/will be used to accessing the data through that route, then the need for FT information seems unnecessary any more. If there had to be backup because the web was unavailable, perhaps it could be emailed to parties that requested it during such times.

**P6\_DR\_007 NGC**

From: Gareth Forrester  
Sent: 23 April 2001 10:51  
To: Modifications@elexon.co.uk  
Subject: FW: Draft Modification Report - Modification Proposal P6 -  
Removal o f Obligation to Publish Price Data in FT

-----  
From: Talbot, Clare[SMTP:Clare.Talbot@uk.ngrid.com]  
Sent: 23 April 2001 10:49  
To: 'Gareth.Forrester@elexon.co.uk'  
Subject: Draft Modification Report - Modification Proposal P6 - Removal  
o f Obligation to Publish Price Data in FT

Gareth,

Phil Lawton has asked me to contact you regarding the above draft  
modification report. We have reviewed the report and I can confirm that we  
have no comments or representations to make on the proposal.

Regards,

Clare Talbot

**P6\_DR\_008 Northern Electric**

25th April 2001

Modifications  
ELEXON  
3rd Floor  
1 Triton Square  
London  
NW1 3DX

Dear Sir

Modification Proposal P6:  
Removal of Obligation to Publish Price Data in the FT

Northern Electric welcomes the opportunity to comment on the modification for the Removal of Obligation to Publish Price Data in the Financial Times.

Having considered the options outlined in the 'Initial Assessment of Modification Proposal P6', Northern Electric strongly supports Modification Proposal P6. We believe that the high costs associated with the publication of prices in the Financial Times cannot be justified when the published information is readily available to all participants via the BSC website.

Yours faithfully

Lesley Mulley

Industry Communications Manager

**P6\_DR\_009 Scottish Power**

From: NETA\_SPOC[SMTP:NETA\_SPOC@Scottishpower.plc.uk]  
Sent: 26 April 2001 08:16  
To: 'modifications@elexon.co.uk'  
Subject: ScottishPower Comments on Mod Proposal P6

ScottishPower has the following comment to make on Modification Proposal P6  
- Removal of Obligation to Publish Price Data in FT:

We support the proposal to remove the obligation to publish price data in the FT, but believe that the proposal should recognise an alternative method for Price Data to be published in the event that the ELEXON website is unavailable (eg fax, email, etc).

If you have any questions on this response, please feel free to contact me.

Regards,

Steve Field  
Calanais for ScottishPower  
Design Authority, Deregulation Services  
Int - 700 2313 Ext - 0141 568 2313  
<http://asg.scottishpower.plc.uk> (Intranet)