

11 April 2001

DRAFT 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

Version	Date	Author	Signature	Change Reference
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Version	Date	Reviewer	Signature	Responsibility

b Distribution

Name	Organisation
BSC Parties	
BSC Agents	
Ofgem	
Panel Members	
Energywatch	
Core Industry Document Owners	

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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.

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

2 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.

3 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 analysis, consultation and assessment undertaken in respect of this Modification Proposal, and the resultant findings of this report, the BSC Panel recommends to the Authority that the modification proposal 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).

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.]

[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.]

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

[Insert a summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Draft Modification Report.]

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] *TO BE CONFIRMED FOLLOWING CONSULTATION*
- No impact on the statutory, regulatory and contractual framework within which the Code sits;
- No impact on the Code Subsidiary Documents.

ANNEX 2 - REPRESENTATIONS