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**INITIAL ASSESSMENT OF MODIFICATION
PROPOSAL - P92**

Replacement Notifications

Prepared By ELEXON Limited

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I DOCUMENT CONTROL

a Authorities

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Version	Date	Reviewer	Signature	Responsibility
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0.2		Service Delivery		Peer Review
0.3		Change Delivery		Formal Review

b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	Energywatch
Core Industry Document Owners	Various

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1 SUMMARY

Modification Proposal P92 'Replacement Notifications' (P92), included in Annex 1, was submitted on 13 June 2002 by the Balancing and Settlement Code Panel ('the Panel') on the recommendation of ELEXON in accordance with Section F 2.1.1 of the Balancing and Settlement Code ('the Code'). It seeks to address two issues.

1. To remove an inconsistency within Section P, which has led to an interpretation of the Code and queries being raised as to whether a notification¹ must be "in force" before it can be replaced or "overwritten" by a second notification. This interpretation is inconsistent with that supported by the Energy Contract Volume Aggregation Agent (ECVAA) systems (and which is also widely accepted by market participants), which is that a first notification may be replaced by a second notification before the "effective from" date is reached and would be restrictive on business operations; and
2. To clarify that a notification will be "in force" (subject to not missing Gate Closure and to credit status) for *all* Settlement Periods of the "effective date" specified in the notification (and hence will replace any previously submitted notification that it is intended to replace) rather than from the first Settlement Period for which data is explicitly stated.

An initial assessment of P92 has identified that only Section P of the Code will be impacted by these minor changes. The changes proposed by P92 will bring the Code into line with current operating practice and so will have no effect on BSC systems or processes.

The Panel is invited to:

- **NOTE the results of the Initial Written Assessment;**
- **DETERMINE that Modification Proposal P92 should be submitted to Report Phase in accordance with section F2.7 of the Code;**
- **AGREE the Report Phase timetable such that a draft Modification Report should be completed and submitted to the Panel for consideration at their meeting of 15 August 2002; and**
- **AGREE that the draft Modification Report contain a provisional recommendation that P92 should be made with an Implementation Date of:**
 - **30 September 2002 if an Authority Determination is made on or prior to 9 September 2002; or**
 - **15 Working Days after such Authority determination if that determination is made after the 9 September 2002.**

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd. on behalf of the Panel, in accordance with the terms of the Code. The Code is the legal document containing the rules of the Balancing Mechanism and imbalance Settlement process and related governance

¹ A notification can be either an Energy Contract Volume Notification ('ECVN') or a Metered Volume Reallocation Notification ('MVRN')

provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the Code.

An electronic copy of this document can be found on the ELEXON website, at www.elexon.co.uk

3 DESCRIPTION OF THE MODIFICATION PROPOSAL

Parties, via a Party Agent, may submit notifications - ECVNs and MVRNs - to notify a contract position with another counter-party. Parties may subsequently adjust their position with a counter-party either by submitting a notification intended to be additional to the first, or by submitting a notification to replace or "overwrite" a previously submitted notification. Notifications intended to replace a previously submitted notification may be submitted any time after the first notification and, in particular, may be submitted either after or before the "effective date" of the first notification.

P92 seeks to clarify Section P of the Code. Paragraphs 2.3.5 and 3.3.5 of Section P detail how a replacement notification supersedes an existing notification, but includes the condition that the notification to be replaced remains "in force". It is proposed that these paragraphs be amended to remove this condition. See Annex 2 for proposed Legal Text.

The current drafting has resulted in queries being raised as to whether a first notification must be "in force" before it can be replaced or 'overwritten' by a second notification. The consequence of such an interpretation would be that it might not be possible to overwrite a notification until Gate Closure for Settlement Periods affected by the first notification had passed. Such an interpretation is not consistent with the operation of the ECVA systems, and the interpretation widely accepted by BSC Parties, and is restrictive on business operations, as it could lead to a Party incurring imbalance charges before the replacement notification takes effect.

During the course of drafting the legal text it was identified that P92 should also include a clarification of the term "in force" to aid the definition of replacement notifications covered in Paragraphs 2.3.5 and 3.3.5 of Section P. This required a further change to Paragraph 1.3.2 of Section P to specify that a notification is "in force" from the first Settlement Period of the "effective from" date, subject to Gate Closure not having passed, until the last Settlement Period of the last Settlement Day for which a date is specified² or until replaced. See Annex 2 for proposed Legal Text.

P92 initially proposed to clarify the term "in force" in relation to notifications which have missed Gate Closure as a separate issue to the issue of replacement notifications. On further assessment, this is no longer deemed necessary, as in defining the term "in force" in relation to replacement notifications, the issue of Gate Closure has been adequately covered, i.e. Paragraph 1.3.2 will unambiguously state that a notification will be "in force" from the start of the first Settlement Period for which Gate Closure had not passed.

A copy of the Modification Proposal, as submitted by the Panel, can be found in Annex 1 to this report.

² If no end date is specified for the notification, it will be deemed to be 'evergreen' and be valid for all Settlement Periods until a replacement is submitted.

4 IMPACT ON BSC SYSTEMS AND PROCESSES

None

5 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

None

6 IMPACT ON DOCUMENTATION

6.1 Impact on Balancing and Settlement Code

BSC Section	Potential Impact of Proposed Modification
P: Energy Contract Volumes and Metered Volume Reallocations	Minor changes to Paragraphs 1.3.2, 2.3.5 and 3.3.5 as detailed in Annex 2.

6.2 Impact on Code Subsidiary Documents

None

6.3 Impact on Core Industry Documents

None

7 IMPACT ON OTHER CONFIGURABLE ITEMS

None

8 IMPACT ON ELEXON

None

9 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

None

10 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

None

11 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

This Initial Assessment indicates that no further work is required to define or assess the amendments required. ELEXON therefore recommends that P92 be submitted directly to the Report Phase with a Panel recommendation to the Authority to Approve P92. ELEXON will then prepare a draft Modification Report based on the Panel's views with the intention to issue it for consultation on 25 July 2002 allowing 5 working days for Parties to respond

to the consultation. The draft Modification Report, including any representations received, will then be considered at the Panel meeting on 15 August 2002.

It is proposed that the draft Modification Report contains a recommendation that P92 be implemented on:

- 30 September 2002 if an Authority Determination is made on or prior to 9 September 2002; or
- 15 Working Days after such Authority determination if that determination is made after the 9 September 2002.

12 ISSUES

Although the clarifications proposed by P92 are relatively minor, there is an issue regarding the definition of the term "in force". P92 seeks to clarify the term "in force" in the context of replacement notifications, but does not propose to review the use of the term elsewhere in Section P. This is because P92 is solely aimed at removing the ambiguity from the specific paragraphs to which the queries relate, namely Paragraphs 1.3.2, 2.3.5 and 3.3.5 of Section P and because it is considered that the meaning of the term has not been changed. Accordingly, it is considered that any concerns about the *usage* of the term in other parts of Section P, rather than of the definition of the term, are not directly related to the defect that the modification is seeking to resolve.

It is acknowledged that one possible alternative interpretation of the term "in force" in the context of Section P is that the notification will be "in force" from the moment it is validated, but will only become effective from the "effective date". There is also some ambiguity over whether a notification for a future Settlement Day can be "in force" for certain Settlement Periods within that Settlement Day and not others or whether it would be "in force" for all Settlement Periods of that Settlement Day.

In light of the issue above, an initial assessment of the use of the term "in force" throughout Section P was undertaken and it was found that in all there are 35 occurrences of the term, of which 12 are contained within the three paragraphs of Section P that the proposed clarifications relate to. The paragraphs that contain the term "in force" are listed in Annex 3.

ELEXON believe that clarifying the definition of the term "in force" for all instances that it occurs in Section P is outside the immediate scope of P92, which seeks only to clarify the use of replacement notifications in response to a number of queries that have been received. If the Panel decides that the scope of P92 should be widened to include a more rigid definition of the term "in force" in all areas of Section P, then a 3-month Assessment Period would be required. This would allow ELEXON to convene the Contract Notification Modification Group (CNMG) to assess the impact of P92 on the paragraphs of the Code listed in Annex 3.

ANNEX 1 – MODIFICATION PROPOSAL

Modification Proposal	MP No: P92 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Replacement Notifications	
Submission Date <i>(mandatory by proposer):</i> 13 June 2002	
Description of Proposed Modification <i>(mandatory by proposer):</i> Amend Section P of the Code to confirm that a second notification can replace or augment a first notification before the first notification becomes "in force".	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> A minor inconsistency appears in the two Sections of the Code (P 2.3.5 and P 3.3.5) in that on one interpretation it could be argued that a first notification must be "in force" before the second notification can replace it. The term "in force" is defined in Section P 1.3.2 and basically means effective. It is clear that Parties must have the ability to replace notifications before they have taken effect so that they adequately react to unplanned events such as Plant outages. It is recommended that Sections P 2.3.5 and P 3.3.5 be amended to clarify the position. It is further recommended that Section P 1.3.2 be amended to clarify the position that a notification which has missed gate closure will not become "in force" until the first Settlement Period for which Gate Closure was made.	
Impact on Code <i>(optional by proposer):</i> Sections P 1.3.2, 2.3.5 and 3.3.5	
Impact on Core Industry Documents <i>(optional by proposer):</i> Nil	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> Nil	
Impact on other Configurable Items <i>(optional by proposer):</i> Nil	

Modification Proposal	MP No: P92 <i>(mandatory by BSCCo)</i>
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> Promoting efficiency in the implementation and administration of the balancing and settlement arrangements. A possible interpretation of the current Sections P 2.3.5 and P 3.3.5 is that Parties are bound by any ECVN or MVRN that it submits for at least 7 settlement periods (or 2 settlement periods when Gate Closure is reduced to one hour) before it can replace that notification with another. This is plainly counter to the purpose of being able to submit replacement notifications and would render the procedure pointless. This Proposal seeks to remove any ambiguity on the issue so that the position with respect to replacement notifications is clearly understood. Furthermore, the amendment to P 1.3.2 is intended to make clear when a replacement notification will become in force in circumstances where it has been submitted late, such that Gate Closure has been missed.	
Details of Proposer: Name: BSC Panel Organisation: BSC Panel Telephone Number: Email Address:	
Details of Proposer's Representative: Name: Kris Clapham Organisation: ELEXON Telephone Number: 0207 380 4257 Email Address: kris.clapham@elexon.co.uk	
Details of Representative's Alternate: Name: Cathy Woods Organisation: ELEXON Telephone Number: 0207 380 4137 Email Address: catherine.woods@elexon.co.uk	
Attachments: No If Yes, Title and No. of Pages of Each Attachment:	

ANNEX 2 – PROPOSED TEXT TO MODIFY THE BSC

The red-lined version of the proposed legal changes to the BSC is contained within a separate document (Attachment 1).

ANNEX 3 – ASSESSMENT OF BSC CODE

There are a total of 35 occurrences of the term “in force” in Section . The Following Paragraphs of Section P will be affected by the proposed clarification of the definition of the term “in force”:

Paragraph	Occurrences	Description
1.2.3	2	ECVNA/MVRNA Authorisations
1.3.2	2	Definition of “in force”
1.5.1	1	Suspension of contract volume notification
2.3.2	2	Definition of ECVN
2.3.3	2	Definition of ECVN
2.3.5	5	Replacement notifications
2.3.10	2	Invalid notifications
2.4.2	1	Refusal and rejection for credit reasons
2.4.3	1	Refusal and rejection for credit reasons
2.5.1	1	Energy Contract Volume
3.3.2	2	Definition of MVRN
3.3.3	2	Definition of MVRN
3.3.5	5	Replacement notifications
3.3.10	2	Invalid notifications
3.4.2	1	Refusal and rejection for credit reasons
3.4.3	1	Refusal and rejection for credit reasons
3.5.2	1	Metered Volume Reallocation Data
4.1.1	1	Aggregation of Energy Contract Volumes
4.3.1	1	Aggregation of Metered Volume Reallocations

Bold type signifies those Paragraphs that will be amended upon implementation of P92