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MODIFICATION REPORT
Modification P004 - Dual Energy
Contract Notification

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

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Version	Date	Reviewer	Signature	Responsibility
0.2	30/07/01	Justin Andrews		Modification Group Chair

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The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
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1 SUMMARY AND RECOMMENDATIONS

Recommendation

The Proposed Modification P4 seeks to replace the present arrangements for Volume Notifications by a central system that only submits/notifies valid dual notifications agreed between Parties into the BSC System. An Alternative Modification was raised that seeks to provide the following additional/amended reports:

- New Acceptance Feedback dataflow; and
- Amendments to the existing Forward Contract Report

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 Panel recommends to the Authority that:

The Modification should be rejected.

The Alternative Modification as set out in Section 7 of this report be approved and implemented on [1st June 2002]¹ upon such approval.

Background

Dynegy raised the Modification on 28 March 2001. At its meeting on 5 April 2001, the Panel agreed (Panel paper 16/004) that Modification P004 should be submitted to the Assessment Procedure, and that the Assessment Report should be completed by 28 June 2001. The Group assessed the Modification and prepared an interim Assessment Report which was submitted to the Panel on 28th June (Panel paper 022/003) with a request that the Assessment Procedure timetable should be extended. The Panel agreed that the Assessment Report should be submitted to the Panel meeting on 26 July 2001.

The BSC Panel considered the P004 Modification Group Assessment Report, which forms attachment 1 to this Modification Report, at its meeting on 26 July 2001 and agreed that the Alternative Modification should proceed to the Report Phase, and that the draft Modification Report to be consulted upon should contain a recommendation to the Authority that the Alternative Modification should be approved and implemented with effect from the implementation date described in Section 1.1.

Rationale for Recommendations

The Panel endorsed the Modification Group's conclusions that Alternative Modification would better facilitate the Applicable BSC Objectives as set out in Condition 7A(3) of the Transmission Licence. In particular, it would meet primarily objective 7A(3)(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". The Alternative Modification has no impact on the remaining Applicable BSC Objectives set out in Condition 7A(3)(a-b) and 7A(3)(d). In reaching this conclusion, the Panel took due account of the views of the proposer, all representations received from interested parties and the views of the Modification Group, which are detailed in section 5 below. This Modification Report should be read in conjunction with the Modification Group's Assessment Report.

¹ ELEXON is currently undertaking an exercise to confirm the Implementation Dates of Modification Proposal P2 and of other Proposed Modifications (taking into account their interaction with the BSC Systems Release 2 project and with each other). A firm date will be included in the Final Modification Report.

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

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. 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 the 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

Dynegy raised the Modification on 28 March 2001. At its meeting on 5 April 2001, the Panel agreed (Panel paper 16/004) that Modification P004 should be submitted to the Assessment Procedure, and that the Assessment Report should be completed by 28 June 2001. The Group assessed the Modification and prepared an interim Assessment Report which was submitted to the Panel on 28th June (Panel paper 022/003) with a request that the Assessment Procedure timetable should be extended. The interim Assessment Report also recommended that the scope of the Proposed Modification should include enhanced ECVAA reporting. The Panel agreed that enhanced ECVAA reporting should be treated as an Alternative Modification and that the Assessment Report should be submitted to the Panel meeting on 26 July 2001.

The BSC Panel considered the P004 Modification Group Assessment Report at its meeting on 26 July 2001 and agreed that the Alternative Modification should proceed to the Report Phase, and that the draft Modification Report to be consulted upon should contain a recommendation to the Authority that the Alternative Modification should be approved and implemented with effect from the implementation date described in Section 1.1.

5 DESCRIPTION OF PROPOSED MODIFICATION

A copy of Modification P004 can be found in Annex 1 Assessment Report produced by the Modification Group. In order to reduce significantly the commercial risks associated with Volume Notification, thereby encouraging within-day trading and reducing industry costs, the Modification proposed that dual notification of all Volume Notifications should be introduced.

The Modification would change the Volume Notification process in the Code such that:

- Each Party would notify their agreed contract volumes and only valid matched notifications would result in a contract volume being successfully notified for use in Settlements;
- Any non-matching notifications would automatically be rejected and the BSC Agent would notify both Parties of their failure to complete a valid Volume Notification;
- The BSC Agent would be responsible for notifying each Party of the acceptance of matching Volume Notifications.

The Alternative Modification considered by the Modification Group, (described in the Assessment Report) would introduce: -

- New Acceptance Feedback dataflow; and
- Amendments to the existing Forward Contract Report

The new Acceptance Feedback Report would mean that on receipt and successful business validation of a contract notification (ECVN / MVRN), a positive Acceptance Feedback dataflow covering 72 Settlement Periods forward, should be generated to the sending Notification Agent and the counterparties to the contract notification.

The Forward Contract Report (ECVAA-I022 / E0221) would be changed so as to include:

- all Settlement Periods, which have not, yet gate closed on the day the report is generated at the Report Snapshot Time;
- reporting on Null / Zero volumes for Settlement Periods for any relevant Notification Agent Authorisation and Trading Party; and
- the filename of the original notification last received which has been processed and incorporated in the Forward Contract Report.

6 RATIONALE FOR PANEL RECOMMENDATIONS

The Panel endorsed the views set out in the Modification Group's Assessment Report that the Alternative Modification should be implemented as it would facilitate within day trading, increase market liquidity and deliver the majority of the benefits of dual notification.

In light of the above considerations, the Panel has concluded that the Alternative Modification would better facilitate the Applicable BSC Objectives as set out in Condition 7A(3) of the Transmission Licence. In particular, it would meet primarily objective 7A(3)(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".

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal and the Alternative Modification, the BSC Panel recommends to the Authority that the Alternative Modification be approved and implemented with effect from the implementation date described in Section 1.1. The BSC Panel also recommends to the Authority that the Modification should be rejected. This Modification Report should be read in conjunction with the Modification Group's Assessment Report.

7 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

BSC Sections V to read:

Conformed Version

TABLE 3 – ECVA A REPORTING

Name of report	Frequency	Recipient	General Description
<i>Acceptance Feedback Report for valid ECVNs</i>	<i>Promptly after successful validation</i>	<i>Parties, ECVNA</i>	<i>For each Contract Trading Party, a positive feedback to report the acceptance of those ECVNs where the effective date of the ECVN is no greater than 72 Settlement Periods ahead</i>
<i>Acceptance Feedback Report for valid MVRNs</i>	<i>Promptly after successful validation</i>	<i>Parties, MVRNA</i>	<i>For each Contract Trading Party, a positive feedback to report the acceptance of those MVRNs where the effective date of the MVRN is no greater than 72 Settlement Periods ahead</i>

Although there will be physical changes to the Forward Notification Summary report there is no need to modify the details for this report within Section V of the Code.

Clean Version

TABLE 3 – ECVA A REPORTING

Name of report	Frequency	Recipient	General Description
Acceptance Feedback Report for valid ECVNs	Promptly after successful validation	Parties, ECVNA	For each Contract Trading Party, a positive feedback to report the acceptance of those ECVNs where the effective date of the ECVN is no greater than 72 Settlement Periods ahead
Acceptance Feedback Report for valid MVRNs	Promptly after successful validation	Parties, MVRNA	For each Contract Trading Party, a positive feedback to report the acceptance of those MVRNs where the effective date of the MVRN is no greater than 72 Settlement Periods ahead

8 ASSESSMENT

The following is a summary of the impacts identified in the Assessment Report produced by the Modification Group, which forms Attachment 1 to this report.

The Alternative Modification will have the following impacts:

- Amendment to section V of the BSC. The relevant legal drafting can be found at Section 6 of this report;
- There would be an impact on the Code Subsidiary Documents, in particular the Reporting Catalogue, the NETA Data File Catalogue and the Interface Design document – Logica – Parts 1 & 2.
- The ECVAAs system would need to be modified to produce the amended and new reports;
- There would be an impact on Party and Party systems so that they can receive the new and amended flows;
- There would be an increase in the payments due under BSC Agent Contracts;
- No impact on the Core Industry Documents;
- No impact on the statutory, regulatory and contractual framework within which the Code sits;
- No impact on the systems and processes of BSCCo.

9 SUMMARY OF REPRESENTATIONS

Initial Consultation

- Copies of the original representations received and considered by the Modification Group under the initial consultation on this proposal can be found in the Assessment Report on the Proposed Modification.

Second Consultation and Impact Assessment

- Copies of the responses received and considered by the Modification Group under the second consultation and impact assessment on this proposal can be found in the Assessment Report on the Proposed Modification.

Consultation on Draft Modification Report

[] representations were received in response to the consultation on the Draft Modification Report, representing the views of [] parties. Copies of these responses are attached at Annex 1 to this report.

ANNEX 1 – COPIES OF REPRESENTATIONS

The following submissions were received in response to the consultation on the Draft Modification Report.