



ASSESSMENT REPORT

MODIFICATION PROPOSAL P004 – Dual Energy Contract Notification

**Prepared by the P004 Modification Group on behalf
of the Balancing and Settlement Code Panel**

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1.0		Chris Rowell		Joint Head of Trading

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Version 0.1 initial draft for Peer Review.

Version 0.2 issued for review by the P004 Modification Group.

Version 0.3 contains P004 Modification Group member comments.

Version 0.4 contains further P004 Modification Group member comments.

Version 0.5 contains further P004 Modification Group member comments and will be presented as the interim P004 Assessment Report to the Panel

Version 0.6 contains information on costs and timings, incorporates Panel views and an additional set of comments received from a Party

Version 0.7 contains further changes to take account of Modification Group requirements

Version 0.8 contains further changes to take account of Modification Group requirements

Version 1.0 is the authorised for use and presented as the P004 Assessment Report to the Panel.

d Changes Forecast

None

e Related Documents

Reference 1	P4 Dual Notification Requirements Specification (014AAR).
Reference 2	P4 Requirements for Enhanced ECVAAs Reporting (015AAR).
Reference 3	Initial Assessment of Modification Proposal P4 (IWA004).
Reference 4	Memo to Logica, 'MP4 Modification Proposal: ECVAAs Volume Notification Capacity' dated 25 May 2001.
Reference 5	Modification Proposal P4 Project Brief (006AMB).
Reference 6	Transmission Licence

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1 EXECUTIVE SUMMARY AND RECOMMENDATIONS

1.1 Executive Summary

The P004 Modification Group (the Group), referred to as Contract Notification Modification Group on the ELEXON website, on behalf of the Balancing & Settlement Code (the Code) Panel (the Panel) has prepared this Assessment Report (Report).

Modification Proposal P004 (the Modification) seeks to replace the present arrangements for Volume Notifications by a central system that only submits/ notifies valid dual notifications agreed between Parties to Settlement. In summary the Volume Notification process as defined in the Modification Proposal would require the Code to be altered such that:

- Each Party notifies 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 will automatically be rejected and the BSC Agent will notify both Parties of their failure to complete a valid Volume Notification;
- The BSC Agent will be responsible for notifying each Party of the acceptance of matching Volume Notifications;
- Where the two Parties are notified that their Volume Notifications do not match, it is the responsibility of those two Parties to then resolve their positions, correct any errors and re-notify contract notifications;
- In addition, BSC Systems would need to be altered.

At the first meeting of the Group it became clear that support for the Modification resulted from the majority of the Parties requiring two key issues to be addressed. These were: -

- the provision of facilities to ensure that notifications cannot be submitted by one counter party without the knowledge and approval of the counter party; and
- the provision of facilities to enable Parties to determine their current trading position, thereby facilitating within-day trading and increasing market liquidity.

The second issue was considered to be of equal importance to or, by many Group members, greater importance than, the first issue.

The provision of dual notification would address both of these issues. However, it was recognised that the second issue may be achieved by enhancing the ECVAAs reporting. As a result, and following a decision by the Panel, the Group agreed to consider an Alternative Modification which addressed the second issue as an alternative approach which would better facilitate achievement of the Applicable Code Objectives, primarily objective (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 recommendations of the Group to address these requirements are given below. It should be noted that there was no consensus among Group members on the recommendation for dual contract notification.

The Group recommends that:

1. The ECVAAs BSC Agent should be required to provide an enhancement to the performance of the ECVAAs service, both to support the existing service, to support this Modification and to support other Modifications, e.g. Modification P017.

2. The provision of additional/amended reports should be developed as a priority and implemented via the Alternative Modification route. The enhanced reporting would provide the following: -
 - New Acceptance Feedback dataflow; and
 - Amendments to the existing Forward Contract Report

The Group concluded that this Alternative Modification better facilitates the Applicable Code Objectives, primarily objective (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" as it would increase the scope for within-day trading.

The Implementation Date for the Alternative Modification should be 1st May 2002.

3. The provision of a dual notification should be not be progressed on the basis of the current quotation (timescale and costs) provided by the NETA Central Service Agent, although the Group noted that this was only an indicative quote at this stage and subject to further negotiation with NETA Central Service Agent.
4. However, the Group agreed that further cost estimates should be sought from 3^d parties (via a competitive tender) to determine whether or not this service should be provided. It was noted that Section F of the Code does not specifically allow for competitive tendering within the Assessment Procedure of the Modification process. Therefore, subsequent to the Group meeting, legal advice was sought on how to progress this aspect of the Modification. The legal advice provided to ELEXON stated that a Modification Group is required to recommend whether or not to proceed with a Modification based on information and costs provided. Consideration of whom should develop and / or provide such a service is undertaken by ELEXON during implementation of an approved Modification. The Group are aware that there was no consensus regarding the implementation of a dual notification service and in fact that 5 Parties rejected the introduction of this proposal outright.

In reaching these conclusions, the Group has taken due account of the views of the:

- proposer;
- all representations received from interested Parties; and
- the Group itself.

1.2 Projected Project Costs, Implementation Dates and Funding Arrangements

A Project Brief (reference 5) has been prepared relating to the Alternative Modification and an executive summary of the Project Brief (the Brief) can be found at Annex 8¹. This shows that the development of the Alternative Modification would cost £276k. This cost is indicative and excludes any project management or audit costs and is made up of . On the basis that the implementation of the Alternative Modification is included in the BSC Systems Release 2 Project and that development starts in October 2001 the proposed Implementation Date for the Alternative Modification is 1st May 2002.

If a Project is initiated to develop and implement the necessary changes to deliver the Alternative Modification, the funding of the Project will come from the ELEXON Modification budget which is paid for on the basis of the Trading Party's Funding Share, in line with Section D of the Code. This is the standard funding arrangement which is applied for all work undertaken on modifying the Code.

¹ The costs include an element for ELEXON costs in addition to the ECVAAs costs. The costs provided by the ECVAAs assume a start date of 1st August 2001.

No Project Brief has been prepared for the Modification on the basis that the Group do not believe that a Project should be initiated until the results of a competitive tender for provision of the service have been considered.

It should be noted that the NETA Central Service Agent has estimated that the provision of enhanced capability for the ECVAAs BSC Agent to support the Alternative Modification and other Modifications would cost approximately £228k. This enhancement is not included as part of the Alternative Modification and has not been included in the Project Brief.

1.3 Provision of Additional Services

If the Panel and the Authority approve the implementation of the Alternative Modification the ELEXON Contract Management Team will manage the procurement of the additional services.

A number of Parties have expressed a desire to develop / provide the overall dual notification service, via a competitive tender, and the Panel are requested to note this. In addition, the Group did not consider that the costs and timescales for the Modification provided by the the NETA Central Service Agent were acceptable. The Panel is asked to note that there are several organisations which would be willing to tender for the provision of a dual notification service and which could probably provide the service at a lower cost and within a shorter timescale than the NETA Central Service Agent. Some of these organisations already provide large elements of the dual notification service. It is recommended that this option – the procurement option, timescales, costs and implications – should be investigated further for the Modification.

1.4 Cost Benefit Analysis

Responses have been received from a number of Parties indicating that there are a number of benefits that would be gained from implementing the Modification and the Alternative Modification.

The potential benefits expressed are:

- there would be a 20% increase in the number of volumes being submitted by Parties within day, resulting in increased profits and efficiency.
- disputes raised would be resolved prior to Gate Closure on the basis that Parties would know their trading position more quickly. The net result of this is that the number of disputes raised would decrease. Annually, it is estimated that 2 incorrectly notified within day trades could be rectified, each with an average impact of £35,000. It is also estimated that each such dispute that requires legal action could entail legal costs of up to £1 million.
- improved reporting from the Alternative Modification will deliver about 90% of the benefits of the original Modification.

One Party has estimated that dual notification could cost £500,000 to implement with expected increased operating costs of the order of £50,000 per year.

2 INTRODUCTION

This Report has been prepared by the Group and ELEXON Ltd. (ELEXON), 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 provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the Code. The Report provides an assessment of Modification P004, which proposed the introduction of a facility to provide for dual contract notification, and the Alternative Modification, which proposes the introduction of enhanced reporting.

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

Section F of the Code sets out the procedures for progressing proposals to amend the Code (known as 'Modification Proposals'). These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications.

The 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).

The Panel may decide to submit a Modification Proposal to an 'Assessment Procedure'². Under this procedure, a Modification Group is tasked with undertaking a detailed assessment of the proposal to evaluate whether it better facilitates achievement of the Applicable Code Objectives³. The Group may also develop an alternative proposal if it believes that the alternative would better facilitate achievement of the objectives.

The Modification Group must prepare a report for the Panel, setting out the results of the assessment of the Modification Proposal and any alternative. The following matter should be included (to the extent applicable to the proposal in question)⁴:

- (a) an analysis of and the views and rationale of the Modification Group as to whether (and, if so, to what extent) the Proposed Modification would better facilitate achievement of the Applicable Code Objective(s);
- (b) a description and analysis of any Alternative Modification developed by the Modification Group which, as compared with the Proposed Modification, would better facilitate achievement of the Applicable Code Objective(s) and the views and rationale of the Modification Group in respect thereof;
- (c) an assessment or estimate (as the case may be) of:
 - (i) the impact of the Proposed Modification and any Alternative Modification on BSC Systems;
 - (ii) any changes and/or developments which would be required to BSC Systems in order to give effect to the Proposed Modification and any Alternative Modification;
 - (iii) the total development and capital costs of making the changes and/or delivering the developments referred to in paragraph (ii);
 - (iv) the time period required for the design, build and delivery of the changes and/or developments referred to in paragraph (ii);
 - (v) the increase or decrease in the payments due under the BSC Agent Contracts in consequence of the Proposed Modification and any Alternative Modification;
 - (vi) the additional payments (if different from those referred to in paragraph (v)) due in connection with the operation and maintenance of the changes and/or developments to BSC Systems as a result of the Proposed Modification and any Alternative Modification;
 - (vii) any other costs or liabilities associated with BSC Systems attributable to the Proposed Modification and any Alternative Modification;

² See BSC Section F2.6.

³ As defined in the Transmission Licence.

⁴ See BSC Section F2.6.4 and Annex F-1.

- (d) an assessment of:
- (i) the impact of the Proposed Modification and any Alternative Modification on the Core Industry Documents;
 - (ii) the changes which would be required to the Core Industry Documents in order to give effect to the Proposed Modification and any Alternative Modification;
 - (iii) the mechanism and likely timescale for the making of the changes referred to in paragraph (ii);
 - (iv) the changes and/or developments which would be required to central computer systems and processes used in connection with the operation of arrangements established under the Core Industry Documents;
 - (v) the mechanism and likely timescale for the making of the changes referred to in paragraph (iv);
 - (vi) an estimate of the costs associated with making and delivering the changes referred to in paragraphs (ii) and (iv),
- together with a summary of representations in relation to such matters;
- (e) an assessment of:
- (i) the likely increase or decrease in BSC Costs (to the extent not already taken into account in paragraph (c) above) in consequence of the Proposed Modification and any Alternative Modification;
 - (ii) the changes required to Systems and processes of BSCCo in order to give effect to the Proposed Modification and any Alternative Modification; and
 - (iii) the BSC Costs which are expected to be attributable to the implementation of the Proposed Modification and any Alternative Modification, to the extent not taken into account under any other provision above;
- (f) to the extent such information is available to the Modification Group, an assessment of the impact of the Proposed Modification and any Alternative Modification on Parties in general (or classes of Parties in general) and Party Agents in general, including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating costs associated with implementing the changes to the Code and to Core Industry Documents;
- (g) an assessment of the Proposed Modification and any Alternative Modification in the context of the statutory, regulatory and contractual framework within which the Code sits (taking account of relevant utilities, competition and financial services legislation);
- (h) 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 and the views and comments of the Modification Group in respect thereof;
- (i) a summary of the analysis and impact assessment prepared by the Transmission Company and the views and comments of the Modification Group in respect thereof;
- (j) a summary of the impact assessment prepared by relevant BSC Agents and the views and comments of the Modification Group in respect thereof;

- (k) a summary of any impact assessment prepared by Core Industry Document Owners and the views and comments of the Modification Group in respect thereof;
- (l) a copy of the terms of reference and any report or analysis of external consultants or advisers engaged in respect thereof;
- (m) a list of the key assumptions which the Modification Group has made in formulating its views;
- (n) any other matters required by the terms of reference of such Modification Group;
- (o) any other matters which the Modification Group consider should properly be brought to the attention of the Panel to assist the Panel in forming a view as to whether the Proposed Modification and any Alternative Modification would better facilitate achievement of the Applicable Code Objective(s);
- (p) subject to paragraph 2.6.8 and 2.6.9 of Section F of the Code, the proposed text to modify the Code in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Code which would be affected by the changes;
- (q) the Modification Group's proposed Implementation Date(s) for implementation (subject to the consent of the Authority) of the Proposed Modification and any Alternative Modification;
- (r) an executive summary of the project brief prepared by BSCCo;
- (s) a recommendation (where applicable) as to whether, if the Proposed Modification or Alternative Modification is approved, Settlement Runs and Volume Allocation Runs carried out after the Implementation Date of such Approved Modification in respect of Settlement Days prior to that date should be carried out taking account of such Approved Modification or not;
- (t) the proposed text (if any) to modify the Memorandum and Articles of Association of BSCCo and/or the BSC Clearer in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Memorandum and Articles of Association and/or the Code which would be affected by the changes; and
- (u) a summary of any changes which would be required to Code Subsidiary Documents as a consequence of such Proposed Modification or Alternative Modification.

This Assessment Report therefore addresses all of the above items to the extent relevant to the Modification Proposal in question.

4 MODIFICATION GROUP DETAILS

This Report has been prepared by the ELEXON support team on behalf of the Group. Details of the Membership of the Group and the ELEXON support team can be found at Annex 2. The Group met to discuss the Modification on 26th April 2001. At that meeting, the Group agreed to widen the scope of the Modification to include:

- enhanced ECVAA reporting; and
- increased capacity for Volume Notifications to ECVAA

as these were additional measures which it was considered would achieve a number of the key objectives that this Modification had been raised to address, potentially providing benefits in the shorter term.

This widening of the scope had the support of the proposer. A Modification Sub Group was established to consider the detailed specifications of dual notification process; this Sub Group met on 4th May 2001. A further meeting of the Group was held on 16th May 2001 to agree the detailed specifications of dual notification process and the enhanced ECVAA reporting.

A further meeting of the Group agreed the interim version of the Assessment Report on 19th June 2001.

The interim Assessment Report was considered by the Panel on 28th June 2001. The Panel decided that the enhanced reporting should be treated as an Alternative Modification in the Assessment Report.

Following receipt of the implementation timescales and costs from the NETA Central Service Agent, a further meeting of the Modification Group was held on 11th July 2001 to finalise the Assessment Report.

5 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

5.1 Description of Proposal

A copy of the Modification can be found at Annex 1 to this Report. 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 Volume Notification process in the Code would be altered such that:

- Each Party notifies 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 will automatically be rejected and the BSC Agent will notify both Parties of their failure to complete a valid Volume Notification;
- The BSC Agent will be responsible for notifying each Party of the acceptance of matching Volume Notifications;
- Where the two Parties are notified that their Volume Notifications do not match, it is the responsibility of those two Parties to then resolve their positions, correct any errors and re-notify contract notifications;
- BSC Systems would need to be altered.

5.2 Background

The Modification was raised by Dynegy UK Limited on 28 March 2001 and subsequently referred to the Group by the Panel under the Assessment Procedure. The Modification was supported by El Paso, Cinergy, British Gas Trading, Magnox Electric plc, Axia, Duke Energy, Scottish Power and TXU European Energy Trading.

5.3 The Applicable BSC Objectives

The Applicable Code Objectives are set out in paragraph 3 of Condition 7A of the Transmission Licence, as follows:

- (a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;
- (b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System;
- (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;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

5.4 The Proposer's Views

The proposer of the Modification put forward the view that the Modification better facilitates achievement of the Applicable Code Objectives. This was on the grounds that:

- The existing energy contract Volume Notification process puts significant risk of imbalance on the contract parties. While this can, to a degree, be managed contractually, it would be more efficient and cost effective to have a central system that only registered agreed trades, so that it correctly reflects to the central systems operators the actual deals agreed between the parties, minimising any disputes and associated legal costs.
- A more robust system will also facilitate effective and efficient trading by minimising the risk to players of unknowingly ending up with an imbalance position. This will improve the operation of the System Operator, who will have more players trying to trade into position ahead of gate closure, rather than just within the window that allows trades to be registered in the 7 day report. The more players contract for their own energy needs the lower the cost of delivered energy will be to customers and the smaller the role of the System Operator.
- The Modification better fulfils the relevant objectives by improving the efficiency of the market, promoting effective competition in generation and supply, by encouraging and facilitating trading, and helping NGC to more efficiently discharge their licence obligations.

5.5 Initial Consultation

On the basis of an Initial Assessment of Modification Proposal P004 (IWA004) (reference 3) prepared by ELEXON, the Panel determined that the Modification should be considered under the Assessment Procedure defined in Section F of the Code. As a result the Modification was issued to industry members for initial consultation in April 2001. Responses were obtained from 18 Parties. A summary of the responses is given in Section 12 and the detailed responses are shown in Annex 9.

The conclusion of the initial consultation is as follows:

- 10 Parties broadly supported the Modification;
- 3 Parties objected to the Modification;
 - 3 Parties provided other responses; and
- 2 Parties provided a 'no comment' return.

5.6 The Group's Initial View

The responses to the Initial Assessment of Modification Proposal P004 (IWA004) (reference 3) in the initial consultation were considered by the Group, which agreed that the scope should be increased so as to better meet the objectives of the Modification. Consequently, the Group agreed that a dual notification specification should be produced to define the dual notification process. However, the Group recognised that the potential time lapse before implementation of a dual notification solution could be considerable. In view of this, the Group agreed that enhanced real time reporting from ECVA, enabling determination of contract positions, would significantly increase within-day trading and better meet, therefore, the objectives of the Code.

The Group also recognised that there was a need to increase the capacity of ECVA to accept Volume Notifications beyond the present limit of 2000 per Settlement Period. This increase would be required both to meet present Service Levels and to deal with the significant increase in Volume Notifications that would result from within day trading facilitated by improved reporting and dual notification.

Consequently the Group decided that the scope of the Modification should include:

- Dual notification;
- Enhanced ECVA reporting; and

- Increased ECVAA capacity to handle the increase in Volume Notifications, particularly within day.

As a result, the Group produced P004 Dual Notification Requirements Specification (reference 1)⁵ and P004 Requirements for Enhanced ECVAA Reporting (reference 2). In addition a memo (reference 4) was produced, requesting an assessment of the potential maximum total number of volume notifications that ECVAA could handle in one Settlement Period together with the potential timeframe for implementation. The purpose of developing these documents was so as to provide a detailed specification of the Modification which would allow quotations to be sought from potential service providers. The Group agreed that the above documentation should be issued to the NETA Central Service Agent for impact assessment on the basis that they managed the ECVAA service and would potentially therefore be able to implement the Modification and the new service, subject to costs and timescales.

The Group also agreed that the scope of the Modification should be expanded to include modifications to the GTMA. However, the Group subsequently decided that any GTMA changes could be dealt with by GTMA participants and could be removed from the scope of the Modification.

5.7 Second Consultation and Impact Assessment

As a result of increasing the scope of the Modification, the Group felt that there should be a second consultation exercise and this should be carried out in parallel to an industry impact assessment. Subsequently, in May, the second consultation and impact assessment was undertaken by industry participants, including the NETA Central Service Agent. The consultation and impact assessment took the form of a Questionnaire, the P004 Dual Notification Requirements Specification (reference 1) and the P004 Requirements for Enhanced ECVAA Reporting (reference 2). In addition ELEXON issued a memo (reference 4) to the NETA Central Service Agent relating to the ECVAA contract notification capacity for impact assessment.

The consultation and impact assessment questionnaire is shown in Section 12.

Responses to the consultation and impact assessment were received from 17 Parties. A summary of the responses is shown in Section 12. A list of the responders, the detailed responses and a summary of the answers to the questionnaire are included in Annex 10. No response was received from the Transmission Company, BSC Agents other than the NETA Central Service Agent or from Core Industry Document Owners.

The conclusion of the second consultation and impact assessment is as follows:

- There is no consensus on the dual notification requirements.
- When asked the question 'Should dual contract notification be run in parallel with single contract notification?' 6 Parties indicated that dual contract notification should run in parallel with single contract notification and 1 Party stated that this arrangement should exist for an initial period only. Of the remaining responses received, 2 Parties indicated that single and dual contract notification should not run in parallel and the remaining 5 Parties rejected the dual notification proposal in its entirety.
- When asked the question 'Should dual contract notification replace single contract notification?' there was a majority of 10 Parties (with 5 of these Parties rejecting the dual notification proposal in its entirety), who rejected this option. Of the remaining responses, 2 Parties agreed that this was their preferred choice and 1 Party stated that dual contract notification should be introduced as the enduring solution only.

⁵ Neither the P4 Dual Notification Requirements Specification, the P4 Requirements for Enhanced ECVAA Reporting nor the memo which was issued to the Central Services Provider are included in this Report but are available upon request from the P4 Modification Secretary, referenced in Annex 2.

- There was a majority view that the scope of the Modification should be revised to include reporting and that the three solutions proposed should be developed in the priorities indicated, on the basis that this is a short term solution which will address the underlying market liquidity problem currently experienced by those Parties wanting to perform within day trading.
- There was a majority view that the scope of the Modification should be revised to include an increase in notification capacity.
- The revised scope better meets the objectives of the Modification, and therefore, the Applicable Code Objectives.

5.8 The Group's Views

The Group assessed the Modification with the extension to the scope described in 5.1.6 above in the light of the responses to the consultation and impact assessment. The Group concluded that the Modification with the extended scope would better facilitate the Applicable Code Objectives. In reaching this conclusion, the Group took due account of the views of the proposer, all representations received from interested Parties, including those 5 Parties who rejected the Modification outright and the views of the Group itself.

The Group was of the view that:

- the provision of a facility to allow dual notification should be developed such that Parties could initially use either the new dual notification process or the existing single notification process, with a possible longer term view to replace single notification by dual notification if Parties conclude after the use of dual notification that the single notification process is no longer required;
- the dual notification process should be provided by a BSC Agent, preferably using existing communications links, subject to costs;
- because of the urgency of the requirement to facilitate within day trading and increase market liquidity and because improved reporting would deliver the majority of the benefits of dual notification, the provision of additional/amended reports should be developed as a priority and implemented in the interim, as a standalone change;
- the capacity of the ECVAAs for Volume Notifications should be increased (to cope with the increased submission of notifications resulting from the significant increase in within day trading expected following the introduction of improved reporting and the dual notification process); and
- the Modification with the extended scope described above would better facilitate the Applicable Code Objectives i.e. of increasing within day trading.

5.9 The Panel's Views

The Group prepared an interim version of this Assessment Report for consideration at the Panel meeting on 28th June 2001. The Panel:-

- Noted the interim Assessment Report.
- Endorsed the recommendations proposed by the Group in the interim Assessment Report, noting that these were subject to acceptable costs and timescales from the ECVAAs.
- Decided that the final version of the Assessment Report for Modification P004 should be presented to the Panel meeting on 26th July 2001.
- Decided that the enhanced reporting element of the Assessment Report should be treated as an Alternative Modification.

5.10 The Group's Further Views

Following the Panel meeting on 28th June 2001, the Assessment Report was amended to take account of the Panel's views and the subsequent receipt of implementation costs and timescales from the ECVAA.

A final meeting of the Group was held on 11th July 2001 to consider the revised version of the Assessment Report and the costs and timescales received from the ECVAA. The NETA Central Service Agent attended part of the meeting. The Group reviewed the impact assessments provided by the ECVAA and felt that the costs and timescales provided by the ECVAA for both the Modification and the Alternative Modification were too high and too long respectively.

There was no consensus within the Group as to whether the Group should recommend to the Panel that the Modification should proceed to the Report Phase as defined in Section F of the Code. In addition, the Group took the view that the Modification should be put out to competitive tender before any decision on the Modification could be made. Until the results of such a competitive tender were received the Group preferred that the Modification should remain within the Assessment Procedure.

With regards to the potential provision of a dual notification service, the Group concluded that:

- such a service should be provided by a BSC Agent, subject to acceptable commercial terms being agreed; and
- the service should use existing communication links.

The Group took the view that the Alternative Modification would better facilitate the Applicable Code Objectives, i.e. 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 Group agreed that the Alternative Modification should proceed to the Report Phase as defined in Section F of the Code.

In addition, the Group agreed that both the Modification and the Alternative Modification would require the capacity of the ECVAA for Volume Notifications to be increased to cope with the increased submission of notifications resulting from the significant increase in within-day trading expected following the introduction of improved reporting and the dual notification process. Enhanced ECVAA performance would also be required to support the existing service and other Modification Proposals, e.g. P17. The Group requested that the ECVAA provide a revised quotation outlining the specific costs associated with improving performance.

6 IMPACT ON BSC, CODE SUBSIDIARY DOCUMENTS / OTHER CONFIGURABLE ITEMS AND MEMORANDUM / ARTICLES OF ASSOCIATION

No legal drafting of changes to the Code has been initiated on the basis that the Modification and the Alternative Modification provide a range of implementation options, as indicated in the sub-sections below. These options can be implemented independently and therefore different sections of the Code may or may not be impacted. In addition, the costs incurred in drafting the changes could be significant therefore they have not been drafted in accordance with Section F, 2.6.8 of the Code.

However any legal drafting changes will not be completed prior to the Panel meeting on 26th July 2001. These changes will therefore be initiated for completion under the Reporting Phase.

1.1 BSC

The dual contract notification Modification and the requirements for enhanced reporting and increased notification capacity will require amendment to Sections of the Code. The Sections that will require / potentially require modification are shown in Annex 3 to this Report.

Below is a summary of the Sections which may require changes to implement the P004 Dual Notification Requirements Specification:

- Section J
- Section K
- Section M
- Section P
- Section U
- Section W
- Annex X-1

Below is a summary of the Sections which may require changes to implement the P004 Requirements for Enhanced ECVA Reporting:

- Section V

1.2 Code Subsidiary Documents / Other Configurable Items

The Modification and the requirements for enhanced reporting and increased notification capacity will impact Code Subsidiary Documents and other Configurable items. The documents affected / potentially affected are shown in Annex 3 to this Report.

Below is a summary of the products which may require changes to implement the P004 Dual Notification Requirements Specification⁶:

- BSCP01
- BSCP11
- BSCP71
- BSP533

⁶ Changes will also be required to software.

- ECVAA Service Description
- NETA Data File Catalogue
- Process Model
- Interface Design Document
- ECVAA User Requirement Specification
- ECVAA Operating Procedures

Below is a summary of the products which may require changes to implement the P004 Requirements for Enhanced ECVAA Reporting:

- Reporting Catalogue
- NETA Data File Catalogue
- Interface Design Document

1.3 BSCCo Memorandum and Articles of Association

This Modification will have no impact on the BSCCo Memorandum and Articles of Association.

7 IMPACT ON BSC SYSTEMS

The Modification would have an impact on BSC Systems.

A dual notification system would need to be developed requiring changes to the ECVAAs System. Other changes would be required to the ECVAAs System to increase notification capacity and to provide the enhanced reports required to facilitate within day trading.

It should be noted that indicative costs and timescale for developing dual notification of £1 million and 3-4 months respectively have been provided by a Party; this does not include implementation and testing costs by Parties.

8 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS

There have been no responses by Core Industry Document owners to indicate that there is an impact on the Core Industry Documents or supporting arrangements.

9 IMPACT ON TRANSMISSION COMPANY

There has been no response by the Transmission Company to indicate that there is an impact on the Transmission Company.

10 IMPACT ON BSCCO

The Group considered the likely increase or decrease in BSC Costs in consequence of the Modification and concluded that the Modification would be likely to lead to a significant increase in BSC Costs.

BSC Costs will be associated with introducing the new service and with processing notification disputes and associated with the management of the new service.

11 IMPACT ON PARTIES AND PARTY AGENTS

This Modification may have an impact on the systems and processes of BSC Parties and Party Agents. If BSC Parties wish to use the dual notification system or the enhanced reports from ECVAA, BSC Parties and their Agents will need to make the relevant changes to their own systems and processes.

Three Parties who responded to the impact assessment stated that costs would be: -

- Significant;
- Very high;
- Not onerous but would depend on other Modifications.

One Party has indicated that the implementation of dual notification could require a total re-engineering of their core NETA systems. This, together with the necessary level of testing of the final solution, could lead to implementation costs of £500k. In addition, due to the need to maintain an operational capability at all times in order to notify nearer to gate closure than at present, operational costs could easily be of the order of £50k per year.

12 SUMMARY OF RESPONSES

12.1 Initial Consultation

Of the 18 Parties which responded to the consultation undertaken in April 2001, 10 broadly supported, 3 objected and 3 provided other responses. The remaining 2 responses made no comment. However, the majority of respondents indicated that they believed that the major factors impeding liquidity of within day trading in current market operation were:

- the opacity of contract position for a Trading Party through the day therefore restricting within day trading, which was one of the key objectives of the Modification; and
- perceived curtailment of the operational day caused by the production of the ECVAA Forward Contract Report (ECVAA – I022 – the '7 Day Report').

12.2 Second Consultation and Impact Assessment

The consultation and impact assessment undertaken in May 2001 included a questionnaire that is shown below, the P4 Dual Notification Requirements Specification (reference 1) and the P4 Requirements for Enhanced ECVAA Reporting (reference 2). In addition a memo was sent to Logica, 'MP4 Modification Proposal: ECVAA Volume Notification Capacity' (reference 5).

		Question	Response		
			Yes	No	Other
A		Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.			
B		Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.			
C		Do you think that if dual contract notification is to be implemented the service should be provided by			
	(i)	ECVAA (either as an enhancement to the existing system or a separate system)			
	(ii)	A separate BSC Agent			
	(iii)	Other (please specify)			
D		Do you agree with the increase in scope to include improved reporting			
E		If the answer to D is yes, do you agree with the following priorities (which relate to the ease of implementation and associated timescales):			
	(i)	Enhanced Acceptance Feedback dataflow as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 1			

	Question	Response		
		Yes	No	Other
(ii)	Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirements for Enhanced ECVAAs Reporting' - Priority 2			
(iii)	Web based Contract Position Reporting as described in as described in 'MP4 Requirements for Enhanced ECVAAs Reporting' - Priority 3			
F	Do you think the ECVAAs capacity for receiving contract notifications should be increased			

Responses to the consultation and impact assessment were obtained from 17 Parties. These are summarised below:

Dual Notification

There is no consensus on the dual notification proposal and who should perform this role.

Questions A (14 responses) and B (14 responses)

When asked the question 'Should dual contract notification be run in parallel with single contract notification?' (question A), 6 Parties indicated that dual contract notification should run in parallel with single contract notification and 1 Party stated that this arrangement should exist for an initial period only. Of the remaining responses received, 2 Parties indicated that single and dual contract notification should not run in parallel and the remaining 5 Parties rejected the dual notification proposal in its entirety.

When asked the question 'Should dual contract notification replace single contract notification?' (question B), there was a majority of 10 Parties (with 5 of these Parties rejecting the dual notification proposal in its entirety), who rejected this option. Of the remaining responses, 2 Parties agreed that this was their preferred choice and 1 Party stated that dual contract notification should be introduced as the enduring solution only.

One Party stated that there should be no restriction on the number of days of notifications which could be provided, as suggested in the P4 Dual Notification Requirements Specification (reference 1), particularly if dual notification was to replace single notification.

Question C ((i), (ii), and (iii))

If the dual notification service was to be introduced, the majority of the Parties (8), subject to costs, stated the preference that the existing ECVAAs BSC Agent be the service provider.

In response to question C (i), 7 Parties were in favour of the ECVAAs being the service provider and 2 Parties rejected this proposal. In response to question C (ii), 3 Parties wanted the role of the service provider to be performed by a separate BSC Agent and 6 Parties rejected this proposal. In response to question C (iii), 2 Parties wanted the role of the service provider to be performed by other agents (i.e. not the ECVAAs or another separate BSC Agents), with 1 of these Parties specifying that the role should be open to tender and 6 Parties rejected the proposal of appointing another agent to carry out the role.

2 Parties stated that they did not have a preference for any of the options, 1 Party stated that they had no preference between the last two options (e. Separate BSC Agent or Other Agent) and another Party considered all three options to be favourable subject to the costs quoted by the ECVAAs.

Enhanced Reporting

The majority (of Parties (14) that enhanced reporting should be introduced in the three Priorities indicated (questions D and E). 1 Party stated that they agreed with the Priority 1 proposal, partially agreed with the Priority 2 proposal and agreed in principle with the Priority 3 proposal. Another Party stated that there was little benefit in developing a web based contract position if options (i) and (ii) were developed.

Increase Volume Notification Capacity

The majority of Parties (13) indicated that there should be an increase in contract notification capacity (question F). However 1 Party indicated that this was not a concern for Parties, but was rather a matter for ELEXON to manage.

Impact on Party Systems / Processes

The majority of Parties (14) stated that there was an impact on their systems / processes.

Implementation Notice

No consensus was indicated on the notice required by Parties for implementing either dual notification or enhanced reporting.

The maximum timescale quoted for implementation of the dual notification was 6 months. The maximum timescale quoted for the enhanced reporting was 3 months. 1 party was not able to provide a timescale for implementation of either proposal.

Costs

Of the 4 responses received, 3 Parties stated that the costs in general would be significant, with 1 of these Parties providing this comment specifically in relation to the dual notification requirement whereas the remaining Party stated that the costs would not be onerous but, that it would be dependent on the implementation of other Modifications.

No Comment / No Impact

Of the 17 responses received, 1 Party provided a no comment return and 2 provided a no impact return.

ANNEX 1 – MODIFICATION PROPOSAL

Modification Proposal	MP No: (mandatory by BSCCo)
Title of Modification Proposal (mandatory by proposer): Dual Energy Contract Notification	
Submission Date (mandatory by proposer): 28 March 2001	
<p>Description of Proposed Modification (mandatory by proposer):</p> <p>In order to significantly reduce the commercial risks associated with contract notification, there by encouraging trading and reducing industry costs, Dynegy propose that dual notification of all energy contract notifications be introduced.</p> <p>The contract notification process in the BSC would be altered such that both ECVNAs notify each energy contract and only matched notifications result in a contract being successfully notified. Any non-matched notifications will automatically be rejected by the ECVA, notifying both ECVNAs of their failure to complete an energy contract notification. The ECVA will be responsible for checking that the matching nominations are accepted and again each ECVNA is notified that the contract notification is accepted.</p> <p>0.</p> <p>Where the two ECVNAs are notified that their energy contract notifications do not match, it is the responsibility of those two parties to then resolve their positions, correct any errors and renotify match notifications.</p> <p>Central systems would also need to be altered. Dynegy estimate that this would take some 3-4 months and cost less than £1million to develop the necessary software. The current costs of the notification system (manpower to check reports, chase positions, manage risks, reduced liquidity, etc) are significantly greater than the cost of implementation.</p>	
<p>Description of Issue or Defect that Modification Proposal Seeks to Address (mandatory by proposer):</p> <p>The existing notification system relies on the 7 day report and significant manpower in checking and altering positions during the early evening. The system has a high risk of failure, already experienced by a number of players, with associated high costs that will ultimately be born by customers. The 7 day report can also not confirm notifications of trades close to real time and thus acts as a disincentive for physical players to trade into position during each day, as the risks of incorrect notification are very high (£500 imbalance prices have already been seen). The risk seems to be acting as a barrier to trading, reducing the liquidity in the market and thereby its efficiency. Assuming the new market starts to encourage more trading, we are all already aware of the potential problems that central systems has with increased notification volumes, suggesting the system will require alteration anyway.</p>	
<p>Impact on Code (optional by proposer):</p> <p>Section P, 2.3-2.38 of the BSC</p>	
<p>Impact on Core Industry Documents (optional by proposer):</p> <p>BSCP71</p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties (optional by proposer):</p> <p>Central systems - energy contract notification systems</p>	

Modification Proposal	MP No: (mandatory by BSCCo)
Impact on other Configurable Items (optional by proposer):	
<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives (mandatory by proposer):</p> <p>The existing energy contract volume notification process puts significant risk of imbalance on the contract parties. While this can, to a degree, be managed contractually, it would be more efficient and cost effective to have a central system that only registered agreed trades, so that it correctly reflects to the central systems operators the actual deals agreed between the parties, minimising any disputes and associated legal costs.</p> <p>A more robust system will also facilitate effective and efficient trading by minimising the risk to players of unknowingly ending up with an imbalance position. This will improve the operation of the SO, who will have more players trying to trade into position ahead of gate closure, rather than just within the window that allows trades to be registered in the 7 day report. The more players contract for their own energy needs the lower the cost of delivered energy will be to customers and the smaller the role of the SO.</p> <p>Such a dual notification system has been proposed by a number of industry players and is used in other markets, such as UK gas and German power markets.</p> <p>This modification better fulfils the relevant objectives by improving the efficiency of the market, promoting effective competition in generation and supply, by encouraging and facilitating trading, and helping NGC to more efficiently discharge their licence obligations.</p> <p>This modification is also supported by: El Paso, Cinergy, British Gas Trading, Magnox Electric Plc, Axia, Duke Energy, Scottish Power and TXU European Energy Trading.</p>	
<p>Details of Proposer:</p> <p>Name: Lisa Waters</p> <p>Organisation: Dynegy UK Limited</p> <p>Telephone Number: 020 7551 6637</p> <p>Email Address: lisa.waters@dynegy.co.uk</p>	
<p>Details of Proposer's Representative:</p> <p>Name: Lisa Waters</p> <p>Organisation: Dynegy UK Limited</p> <p>Telephone Number: 020 7551 6637</p> <p>Email Address: lisa.waters@dynegy.co.uk</p>	
<p>Details of Representative's Alternate:</p> <p>Name: Rekha Patel</p> <p>Organisation: Dynegy UK Limited</p> <p>Telephone Number: 020 7551 6660</p> <p>Email Address: rekha.patel@dynegy.co.uk</p>	

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

ANNEX 2 – MODIFICATION GROUP MEMBERSHIP AND ELEXON SUPPORT TEAM

Annex 2a – Modification Group Membership

No.	Member	Organisation
1.	Chris Rowell	Chairman, ELEXON
2.	Lisa Waters	Proposer, Dynegy
3.	Tim Johnson	Powergen
4.	Simon Hadlington	British Gas Trading
5.	Ben Willis	Yorkshire Electricity
6.	Sharif Islam	TotalFinaElf
7.	Dave Lenton	St Clements Services
8.	Roy Dinsmore	Innogy
9.	Chris Teverson	The European Power Source Company (UK) Ltd
10.	Nicola Lea	TXU Europe Energy Trading
11.	Paul Mott	London Electricity
12.	Mike Edgar	Transmission Company
13.	Mark Simons	BP Gas Marketing
14.	Nick Simpson	Ofgem
15.	Sonia Brown	Ofgem

Annex 2b – ELEXON Support Team

The ELEXON support team consists of:

- Mike Downing;
- Richard Grimsey (P004 Modification Secretary);
- Mandi Francis; and
- Ceri Hughes.

ANNEX 3 – PROPOSED CHANGES TO BSC, CODE SUBSIDIARY DOCUMENTS AND OTHER CONFIGURABLE ITEMS

Annex 3a – BSC Sections⁷

The following Code Sections need to be amended / potentially amended:

(1) P004 Dual Notification Requirements Specification

No	Section Impacted	Scope of Section	Potential Impact	Potential Change
1.	Section J: Party Agents	<p>This section places obligations on the use of Party Agents.</p> <p>In particular where a Party wishes to make ECVNs or MVRNs it may only do this where there is an authorised ECVNA or MVRNA in accordance with the provisions specified here and in Section P.</p>	<p>Clauses may need to be modified to allow for use of ECVNAs and MVRNAs for both single and dual notifications.</p>	<p>Amend the ECVNA and MVRNA related text.</p>
2.	Section K: Classification and Registration of Metering Systems and BM Units	<p>This section sets out the rules associated with Metering System / BM Unit registration responsibilities.</p> <p>In particular this section requires the CRA to provide or make available full registration data from CRS to the ECVAA.</p>	<p>Clauses may need to be changed to accommodate the additional ECVAA role.</p>	<p>a) Remove the ECVAA and add the Central Matching Agent related text; or b) Add the Central Matching Agent related text.</p>
3.	Section M: Credit Cover and Credit Default	<p>This section sets out the means for determining a Trading Party's indebtedness and the Credit Cover provisions.</p> <p>In particular this section places obligations on the ECVAA in relation to Credit Cover calculation and checking, Credit Cover reduction, Credit Default and Trading Party queries.</p>	<p>This section will require re-writing if the role of the ECVAA is to change.</p>	<p>Changes would be required to this section if the ECVAA role were to change.</p>

⁷ The impact will change if alternative solutions are agreed by the Group

No	Section Impacted	Scope of Section	Potential Impact	Potential Change
4.	Section P: Energy Contract Volumes and Metered Volume Reallocations	This section specifies the authorisation of ECVNAs and MVRNAs, the rules relating to the submission of ECVNs and MVRNs, validation of ECVNs and MVRNs, refusal and rejection for credit reasons, the aggregation of the ECVN and MVRNs, the failure of the ECVA system and the withdrawal of the ECVA System.	a) If the role of the ECVNAs and MVRNAs were to change then this section would need to be modified. b) The section needs to incorporate and distinguish between the different rules associated with the submission and processing of single and dual notifications.	a) Amend the ECVNA and MVRNA related text. b) Re-organise the section so that it clearly distinguishes between the single and dual notification processes where they are different e.g. <ul style="list-style-type: none"> ❑ the interface to the ECVA from the Central Matching Agent; ❑ notification rules i.e. single = no time restriction, whereas for dual notification a maximum of 7 consecutive days can be provided; ❑ validation rules; ❑ interface to Credit Cover data for dual notifications; ❑ responsibilities in relation to failure to submit or submitting invalid ECVNs or MVRNs. In addition this section should highlight the new requirements e.g. <ul style="list-style-type: none"> ❑ Positive acknowledgement of notifications.
5.	Section U: Provisions Relating to Settlement	This section sets out the general obligations of BSC Parties / BSC Agents relating to data and information. In particular this section: <ul style="list-style-type: none"> ❑ has an explicit statement that it does not apply to ECVN or MVRN data; ❑ will result in the Panel requiring the ECVA to submit data for use in an Ad Hoc Settlement / Allocation Run; ❑ does not allow ECVA to adjust Settlement data unless expressly provided for in this section. 	This section will need to be modified to support single and dual notifications ie. the rules on accuracy of data will apply with the introduction of the dual notification process but not in the case of single notifications.	Modify this section to distinguish the different rules which will apply relating to the provision of accurate data.
6.	Section W: Trading Queries and Trading Disputes	This section sets out the arrangements for the resolution of Trading Queries and Disputes and the operation of the TDC.	If the role of the Central Matching Agent is to be centralised then disputes may be raised where incorrect notifications are used by the ECVA.	A new sub-section would be required to specify the rules associated with raising a notification dispute because the liabilities will be centralised.

No	Section Impacted	Scope of Section	Potential Impact	Potential Change
7.	Annex X-1: General Glossary	This section sets out the non-technical definitions and interpretations. In particular there are definitions for the Notification Agents, Notifications and Authorisation of Notification Agents.	The existing definitions may need to be modified and new definitions may need to be added.	Revise the section to allow for single and dual notifications.

(2) P004 Requirements for Enhanced ECVA A Reporting

No	Section Impacted	Scope of Section	Potential Impact	Potential Change
8.	Section V: Reporting	This section sets out details of the Balancing Mechanism Reporting Service and other reporting requirements. In particular this section: <ul style="list-style-type: none"> ❑ requires the ECVA A to provide those reports defined; ❑ requires the notices relating to Credit Default to remain on the BSC Website until a Credit Default is cancelled by the ECVA A. 	The reporting section will need to be modified to support dual notifications which is additional to the single notification reporting.	The enhanced reporting as defined in the ELEXON Requirements for Enhanced ECVA A Reporting Specification will need to be incorporated.

Annexe 3b – Code Subsidiary Documents and other Configurable Items

The following configurable item documents need to be amended / potentially amended⁸:

(1) P004 Dual Notification Requirements Specification

No	Description	Potential Impact	Potential Change
Balancing and Settlement Code Procedures			
9.	BSCP01 Overview of Trading Arrangements	Allow for the provision of both single and dual contract notifications.	Distinguish between the single and dual notification processes.
10.	BSCP11 Volume Allocation and Settlement Run Queries	Define the dispute process in the event of incorrect matching.	Incorporate a revised process if the detail on dispute resolution is not to be incorporated into Section W of the BSC.
11.	BSCP71 ECVNA and MVRNA Registration, Authorisations and Terminations	The BSCP should be updated to include references to the central matching process where appropriate.	Add references to the central matching process where appropriate.
12.	BSCP533 PARMS Data Provision	The increase in the role of the ECVAAs may require additional information to be reported.	None at this stage only if new data to be reported by the ECVAAs.
Service Descriptions			
13.	Energy Contract Volume Aggregation Agent (ECVAA)	Enhance the Service Description if the role of the Central Matching Agent is to be subsumed in the ECVAAs role.	Significant changes would be required to incorporate the additional dual notification process requirements.
Business Definition Documents			
14.	NETA Data File Catalogue	Any new / revised interface would need inclusion within this document.	Incorporate any new / revised interfaces.
15.	Process Model	The Process Model should distinguish the differences between the single and dual notification process.	Highlight the differences between the single and dual notification processes.
16.	Interface Design Document – Logica – Parts 1 & 2	Any new / revised interface would need inclusion within these documents.	Incorporate the new / revised interfaces. The BSC Agent may implement these changes.
User Requirements Specifications			
17.	ECVAA	Enhance the URS if the role of the dual notification process is to be subsumed in the ECVAAs role.	Significant changes would be required to incorporate the additional dual notification process requirements.

⁸ The impact will change if alternative solutions are agreed by the Group

No	Description	Potential Impact	Potential Change
Other			
18.	ECVAA Operating Procedures	Enhance the ECVAA Operating Procedures if the role of the dual notification process is to be subsumed in the ECVAA role.	Enhance the ECVAA Operating Procedures.

(2) P004 Requirements for Enhanced ECVAA Reporting

No	Description	Potential Impact	Potential Change
Business Definition Documents			
19.	Reporting Catalogue	If the ECVAA is to perform the dual notification process then changes will be required to the reporting requirements.	The enhanced reporting as defined in the ELEXON Requirements for Enhanced ECVAA Reporting Specification will need to be incorporated.
20.	NETA Data File Catalogue	Any new / revised report produced would need inclusion within this document.	Incorporate the new / revised reports.
21.	Interface Design Document – Logica – Parts 1 & 2	Any new / revised report would need inclusion within these documents.	Incorporate the new / revised reports. The BSC Agent may implement these changes.

ANNEX 4 – PROPOSED TEXT TO MODIFY BSCCO MEMORANDUM AND ARTICLES OF ASSOCIATION

No changes are required.

ANNEX 5 – BSC AGENT IMPACT ASSESSMENTS

Below are the three impact assessment received from the NETA Central Service Agent, dated 9th July 2001. The three impact assessments relate to the following areas:

1. Dual Notification
2. Enhanced Reporting (not web-based reporting)
3. Web-based Reporting

It should be noted that the NETA Central Service Agent has confirmed that the cost shown for providing Enhanced Reporting includes the cost of providing increased notification capacity; this represents 50% of the development cost quoted.

These impact assessments are subject to further negotiation by ELEXON.

1. Dual Notification

To be completed by the Originator						
Change Request ID (to be provided by the Customer)			Service affected			
MP4 – Dual Notification						
Logica reference: CR 101_2						
Change Request Name:			Dual Notification			
Agreement by the customer to proceed to the next stage						
	High Level Assessment	Detailed Level Assessment	Change Quotation	Implement Change	Emergency Fix Report	Change Request under Clause 14.2 (delay)
Tick which stage is being requested		✓				
Signed by Customer Baseline Manager						
Signed by Customer Contract Manager						
Date of agreement to proceed to next stage					n/a	n/a
Date this stage to be completed by		9/7/2001				
Configuration of Service(s) (baseline affected)	NETA programme services definition baseline (1.0)					
Assumed Changes (over baseline)	Amendments and Change Notices effective prior to the date of this Change Request.					
Priority	Medium					
Identified by : ELEXON			Date Submitted May 2001			
Description of Change						
This Change is the second of three components of Modification Proposal MP4. The other two components are presented on separate change forms.						
This Change is described in the document MP4 Dual Notification Requirements Specification (version 1.0) – excluding section 2.1.4						
Meeting of the 7 th June agreed modification to the details of requirements, these modifications are referred to in the assessment.						
Reason for Change (benefits)						
See document referenced above						
Implications of not making the change						
See document referenced above.						
Attachments/references			N/a.			
Competition Item		N/a				
No		N/a				

If Change Request made under Clause 14.2 (delay)	N/a.			
To be completed by the Service Provider				
	High Level Assessment	Detailed Level Assessment	Change Quotation	
Tick which stage is being completed		✓		
Signed by Service Provider Contract Manager				
Date		9/7/01		
Validity period of costs/prices	Change Quotation			
	Change	30 days.		
Does the change involve any changes to the System or Services			Yes.	
Would the undertaking of a Detailed Level Assessment or Change Quotation delay the Trigger Milestone or the Planned Go-Live Date before Go Live or any Release Date after Go Live			N/a.	
If Yes – specify which Milestones/Release Dates would be affected				
Impact on any Milestones of incorporation of change	N/a.			
Indicative impact on resources for change incorporation	Phase of the work			
	Design	Build	Test & Trial	Operate
	Labour			
Materials/3rd Party				
Impact on Service Levels	None.			
Impact on IDD	N/a.			
Price for Detailed Level Assessment	N/a.		Indicative/firm	
Price for Change Quotation	N/a.		Indicative/firm	
Price for Change	<p>£771,463 (excluding VAT) to Develop and implement MP4 dual reporting as a patch. £17,583 (excluding VAT) per month O&M charge. The above prices are based on the following assumptions:</p> <ul style="list-style-type: none"> • Work will commence on the 1st August 2001. • The implementation of this change requires that the ECVAAs reporting component of MP4 is also implemented at the same time. It cannot be implemented independently of the other components of MP4. • Price does not include provision for indexation of daily fee rates with effect from 1st April 2002. It is assumed all work within this FP quote will be completed by that date in accordance with the attached plan. • The response includes changes to the MP4 requirement agreed between ELEXON and Logica at the meeting of the 7th June 2001. These changes are detailed below in our work statement. • During the development of the change documents reviewed by ELEXON will be reviewed and comments returned to Logica with 5 working days of receipt of 		Firm	

	<p>document. Only one iteration of all reviewed documents has been included in this price. Document updates only will be submitted for review. No allowance is included for addressing comments from ELEXON.</p> <ul style="list-style-type: none"> • Within reasonable levels, ELEXON will make available appropriate staff to assist Logica during the development of this change. • Logica and ELEXON will agree upon a test strategy that can be carried out within the time scales indicated in the attached plan. • Some market testing will be appropriate. However, at this stage it is not possible to assess the level of interest/readiness within the participant community: hence the market testing activity has not been included within this proposal. This proposal covers the development and system testing of the new functionality and its deployment into an environment in readiness for market testing; it does not cover the preparation of materials for, or the execution, of market testing. • The operate charge identified above excludes any charge for the additional utilisation of computer and related equipment resources imposed by the operation of this change. When the recommendations of the performance study are known, Logica will propose how it should be recompensed for the provision of additional equipment resources necessary to maintain service levels. • Logica will invoice 30% on receipt of CN or authorised start of work, 2 mid-development milestones of 15%, 20% on completion of testing/ready to deploy. 20% on deployment or after 1 month after the completion of system testing. • There will be no new Service Levels. 	
If the change is to be incorporated after Go Live, is this change proposed to be a patch or release	N/a.	
If patch, expected time of incorporation	April 2002	
If release - what release number	Release number	
Date	Release Date	
For High Level Assessment only – is it a Detailed Level Assessment Yes/ No	If No, estimate of time and resources required to complete	
Resources Required to undertake	Detailed Level Assessment	Change Quotation
Labour		
Materials		
Consequential amendments to base line:		

Proposed method of Change/ Work statement	<p>This change request has been broken down into three distinct components as follows:</p> <ol style="list-style-type: none"> 1. Enhanced ECVAAs reporting; 2. Dual notification; 3. Web based contract reporting. <p>Enhanced ECVAAs reporting can be implemented independently of the other two. Note though that there are further changes to ECVAAs reports included in the Dual notification component. Web based contract reporting component provides a second mechanism for providing the information contained in various ECVAAs reports. This document deals solely with the Dual notification change.</p> <p>The focus of this component is to enable parties to take greater responsibility for, and thus have greater visibility of, the timely delivery of their own contract notifications. The current mechanism means that the two counter parties agree the contract, notify a single appropriate party agent, which is then responsible for notifying the Central Services. Under the dual notification mechanism, once the contract is agreed each party notifies its own party agent (the two parties and agents must be different), each of which notifies the contract separately to the Central Services. The Central Services will respond to each notification indicating if it is matched, or unmatched at the time of receipt, using a variant of the positive feedback report. Only notifications which have been matched by Gate Closure feed through into the ECVAAs credit checking and aggregation activities. Note that matching is carried out on a period by period basis (e.g. one party agent could notify a 1 week contract as 1 notification covering 7 days; the other party agent could submit 7 notifications each covering one day; these would be matched successfully provided the volumes correspond).</p> <p>Contract notifications will be submitted under a specific authorisation number, by both party agents. The authorisation number and notification reference code will be the main identifiers used in the matching process. The authorisations will be set up in a similar way to that used for the existing contract notification mechanisms, but will now include both the party agents as well as the two parties involved. Also authorisation keys will not be allocated/used for dual notifications. (Note that for authorisations covering contracts where the two counter parties are the same only a single party agent is required and there is therefore no concept of dual notification.) Match/no match notifications will be sent only to the two party agents identified in the authorisation under which the contract notification was submitted.</p> <p>To avoid disruption to parties and agents not wishing to use dual notification and to minimise the risk to the existing ECVAAs implementation new flows will be created to cover the dual notification authorisation and contract notification flows and also for reports specific to dual notification (i.e. a variant of the forward contract report covering matched and unmatched notifications by party, which is generated in addition to the existing forward contract report, and match/no match feedback reports, which are generated instead of the positive feedback report.)</p> <p>There are two important variations in the functionality available through dual notification. Firstly notifications may only cover the next 7 days; secondly when an overwrite mode notification is received any null periods are ignored (as opposed to the current implementation where nulls are taken as implicit zeroes). Note that for an overwrite to take effect it must be received from both party agents, i.e. the current matched contract position, if any, is only updated when the last received overwrite notifications from both party agents match.</p> <p>The functionality for ECVNs and MVRNs is very similar: in general business level validation can be carried out on each flow as it arrives (i.e. before attempting to match it), the one exception to this is the check that the total percentage MVRNs for a BM Unit do not exceed 100%. This check should only be applied once matching has succeeded, and may thus result in a match feedback report which rejects the contract notification.</p> <p>The table below shows the flows that may be generated by the system in response to a single notification and to (half of) a dual notification and identifies where the flows will be sent. Note that the table assumes that positive feedback reports (part of the Enhanced ECVAAs Reporting Component) have been implemented.</p> <p>The scenario envisaged is that the contract relates to two parties, P1 and P2. For dual notification they have corresponding Party Agents, PA1 and PA2, with PA1 submitting the flow considered. For the single notification the flow is submitted by their joint part agent, PA.</p> <p>Processing Stage</p>
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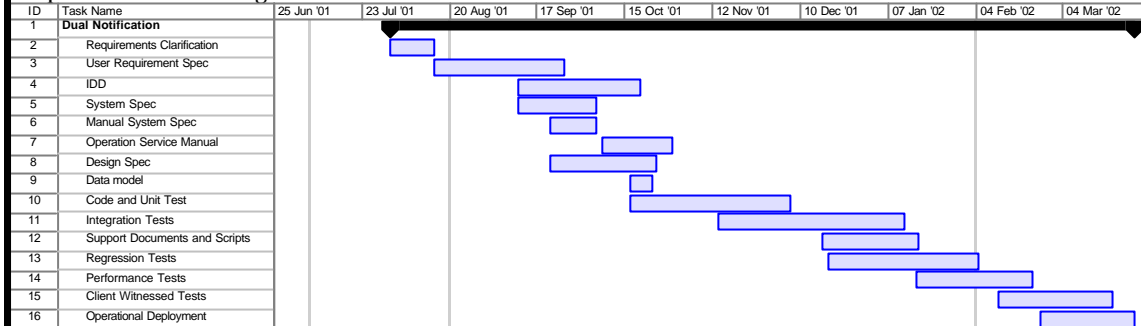
	<p>Single Notification Dual Notification</p> <p>Comms & File Loader ACK/NACK to PA ACK/NACK to PA1</p> <p>Business Loader (on failure) Negative feedback report to PA, P1 and P2 Negative feedback report to PA1</p> <p>Business Loader (on success) Positive feedback report to PA, P1 and P2</p> <p>-</p> <p>Matching Process</p> <p>-</p> <p>Match/No match report to PA1 and PA2 – could include MVRN % failure, or credit default failures on a period by period basis</p> <p>Credit Check Negative feedback report to PA, P1 and P2 for period concerned Negative feedback report to PA1 and PA2 for period concerned</p> <p>Match/No match feedback reports echo back the incoming notification to which they are responding. Each period will have its own status which is one of “no match”, “match and accepted”, “gate closure passed” or “match and rejected”. For the latter a rejection reason is also given: this is either that the MVRN percentage check fails for the period, or that one of the parties is in credit default and the period values would increase their indebtedness.</p> <p>The key elements within this component are as follows:</p> <ul style="list-style-type: none"> • Define and agree the updates to the IDD to cover the new flows identified above: <ul style="list-style-type: none"> o Dual notification authorisation flows (set up and termination) – manual flows as before – and authorisation feedback reports; o Dual notification authorisation report; o Dual contract notification flows (ECVN and MVRN); o Match/no match feedback flows; o Match/no match forward contract report; • Develop new screens to allow operators to enter dual notification authorisations and also to terminate them, based on the existing authorisation screens; • Develop dual notification authorisation report based on existing authorisation report; • Develop new file and business loaders for the dual contract notification flow based on the existing ECVN and MVRN loaders; negative feedback reports will only be routed to the party agent involved in submission of the specific flow; • Develop contract matching database and process (including MVRN % check); the process is initiated on completion of the business loader process; • Develop match/no match feedback reports based on positive feedback report; • Develop match/no match forward contract report based on existing forward contract report; • Develop new screens to allow operators to view and update dual notifications;
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- Update credit check process to pick up both single notifications and dual notifications for each period, and also to route any negative feedback reports for dual notifications to both party agents only.

Changes to the Operate and Maintain Charge

For the purposes of this response we have assumed the new changes will become live from the 1st April 2002, and as such have provided a monthly cost based upon the remaining 48 months of the operate and maintenance contract.

Proposed Plan for Change



Has the customer has indicated this is a competitive change		No
Service Provider Plan for competition		
Risks/Constraints of competition		
Service Provider plan for incorporation of change including testing		
Documentation to be produced by Service Provider to enable competition according to plan above		
Indicative costs of Service Provider role in competition		

For Change Notice only – to be completed by the Customer

Basis for payment	
Agreed Customer Caused Delay: Yes/No	
If Yes, amount of delay	
Date Change to become effective.	Is this to be a Release Date? Yes/No
Other items as required under the Change Management Procedures	

2. Reporting (not web-based reporting)

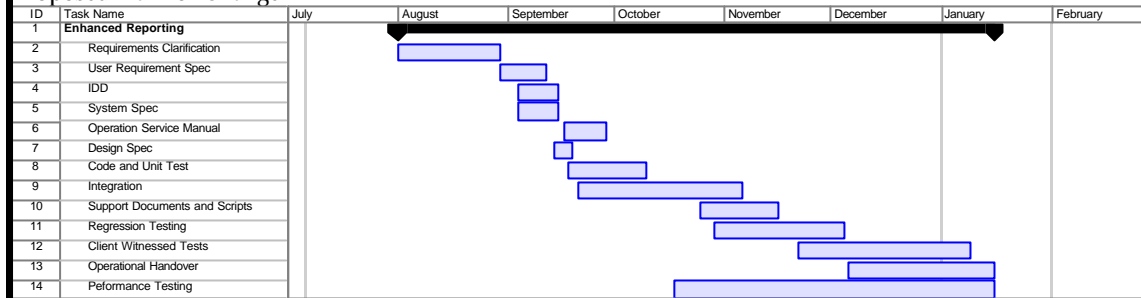
To be completed by the Originator						
Change Request ID (to be provided by the Customer)			Service affected			
MP4 –Enhanced ECVAA Reporting						
Logica reference: ICR 101_1						
Change Request Name:			Enhanced ECVAA Reporting component of MP4			
Agreement by the customer to proceed to the next stage						
	High Level Assessment	Detailed Level Assessment	Change Quotation	Implement Change	Emergency Fix Report	Change Request under Clause 14.2 (delay)
Tick which stage is being requested		✓				
Signed by Customer Baseline Manager						
Signed by Customer Contract Manager						
Date of agreement to proceed to next stage					n/a	n/a
Date this stage to be completed by		9/7/2001				
Configuration of Service(s) (baseline affected)	NETA programme services definition baseline (1.0)					
Assumed Changes (over baseline)	Amendments and Change Notices effective prior to the date of this Change Request.					
Priority	Medium					
Identified by : ELEXON	Date Submitted May 2001					
Description of Change						
This Change is the first of three components of Modification Proposal MP4. The other two components are presented on separate change forms.						
This Change is described in the document						
<ul style="list-style-type: none"> MP4 Requirements for Enhanced ECVAA Reporting (version 2.0) – excluding section 2.1.3 						
Meeting of the 7 th June agreed modification to the details of requirements; these modifications are referred to in the assessment.						
Reason for Change (benefits)						
See document referenced above.						
Implications of not making the change						
See document referenced above.						
Attachments/references	N/a.					
Competition Item No	N/a					
If Change Request made under Clause 14.2 (delay)	N/a.					

To be completed by the Service Provider				
	High Level Assessment	Detailed Level Assessment	Change Quotation	
Tick which stage is being completed		✓		
Signed by Service Provider Contract Manager				
Date		9/7/01		
Validity period of costs/prices	Change Quotation			
	Change		30 days.	
Does the change involve any changes to the System or Services			Yes.	
Would the undertaking of a Detailed Level Assessment or Change Quotation delay the Trigger Milestone or the Planned Go-Live Date before Go Live or any Release Date after Go Live			N/a.	
If Yes – specify which Milestones/Release Dates would be affected				
Impact on any Milestones of incorporation of change	N/a.			
Indicative impact on resources for change incorporation	Phase of the work			
	Design	Build	Test & Trial	Operate
	Labour			
Materials/3rd Party				
Impact on Service Levels	None.			
Impact on IDD	N/a.			
Price for Detailed Level Assessment	N/a.			Indicative/firm
Price for Change Quotation	N/a.			Indicative/firm
Price for Change	<p>£455,596 (excluding VAT) to Develop and implement MP4 Enhanced ECVAA Reporting as a patch. £9,835 (excluding VAT) per month O&M charge. The above prices are based on the following assumptions:-</p> <ul style="list-style-type: none"> • Work will commence on the 1st August 2001. • Enhanced ECVAA reporting can be implemented independently of the other components of MP4. Note though that there are further changes to ECVAA reports included in the Dual Notification component. • Price does not include provision for indexation of daily fee rates with effect from 1st April 2002. It is assumed all work within this FP quote will be completed by that date in accordance with the attached plan. • The response includes changes to the MP4 requirement agreed between ELEXON and Logica at the meeting of the 7th June 2001. These changes are detailed below in our work statement. • During the development of the change documents reviewed by ELEXON will be reviewed and comments returned to 			Firm

	<p>Logica with 5 working days of receipt of document. Only one iteration of all reviewed documents has been included in this price. Document updates only will be submitted for review. No allowance is included for addressing comments from ELEXON.</p> <ul style="list-style-type: none"> • Within reasonable levels, ELEXON will make available appropriate staff to assist Logica during the development of this change. • Logica and ELEXON will agree upon a test strategy that can be carried out within the time scales indicated in the attached plan. • Some market testing will be appropriate. However, at this stage it is not possible to assess the level of interest/readiness within the participant community: hence the market testing activity has not been included within this proposal. This proposal covers the development and system testing of the new functionality and its deployment into an environment in readiness for market testing; it does not cover the preparation of materials for, or the execution, of market testing. • The operate charge identified above excludes any charge for the additional utilisation of computer and related equipment resources imposed by the operation of this change. When the recommendations of the performance study are known, Logica will propose how it should be recompensed for the provision of additional equipment resources necessary to maintain service levels. • Logica will invoice 30% on receipt of CN or authorised start of work, 2 mid-development milestones of 15%, 20% on completion of testing/ready to deploy. 20% on deployment or after 1 month after the completion of system testing. • There will be no new Service Levels. 	
If the change is to be incorporated after Go Live, is this change proposed to be a patch or release	N/a.	
If patch, expected time of incorporation	January 2002	
If release - what release number	Release number	
Date	Release Date	
For High Level Assessment only – is it a Detailed Level Assessment Yes/ No	If No, estimate of time and resources required to complete	
Resources Required to undertake	Detailed Level Assessment	Change Quotation
Labour		
Materials		
Consequential amendments to base line:		

Proposed method of Change/ Work statement	<p>The MP4 change proposal has been broken down into three distinct components as follows:</p> <ol style="list-style-type: none"> 1. Enhanced ECVAA reporting; 2. Dual notification; 3. Web based contract reporting. <p>Enhanced ECVAA reporting can be implemented independently of the other two. Note though that there are further changes to ECVAA reports included in the Dual notification component. Web based contract reporting component provides a second mechanism for providing the information contained in various ECVAA reports. This document deals solely with the Enhanced ECVAA reporting change. The focus of this component is to improve the visibility to participants of their current contract positions, with the aim of improving the overall liquidity of the market. This enhanced reporting consists of some minor changes to the format of the forward contract report, and the introduction of a positive feedback report to ensure that all incoming notifications are either NACKed or receive a feedback report. The approach outlined below minimises the impact on existing flows, and introduces new flows to support the additional functionality, to minimise the impact on participants who do not want to take up the additional services offered. Participants will be able to select to receive the old or new versions of any modified reports for a transition period; this will be no longer than 3 months in duration; note that support for multiple versions of flows is provided under the implementation of P8.</p> <p>The key elements within this component are as follows:</p> <ul style="list-style-type: none"> • Actions to alleviate identified bottlenecks, necessary to support ECVAA enhanced reporting at current ECVN levels in the short term; • Performance study as the enhanced reporting substantially increases the number of flows generated by the system; this study will give an indication of the limits on the numbers of ECVNs that can be handled by the existing configuration and how the systems could be upgraded (under future Change Proposals) to increase these limits; • Change the forward contract report to include current day; note that the report for the current day will be in the same format as for future days, i.e. it will be based on the raw contract notifications, not the performed data (and hence any period rejections arising from credit checking will not be excluded from the report); • Change the forward contract report generation, so that a report is generated for each party even if they have no contract notifications for the period covered by the report; • Change the forward contract report, so that it includes the database snapshot transaction number used in generating the report; • Introduce a new positive feedback report (so that for each contract notifications, which is not NACKed, the originating agent and affected parties receive either a negative feedback report (as currently exists) or a positive feedback report; the format of this new report will be similar to the negative feedback report; it will echo back the ECVN together with an indicator of the first period loaded into ECVAA, i.e. the first period which passed the Gate Closure check assuming that the historic overwrite change request has been implemented; the report will include the transaction number under which the ECVN was applied to allow matching against the forward contract report; this report will be sent to the ECVNA/MVRNA submitting the ECVN/MVRN and to the counter parties to the contract (as currently for the negative feedback report); the positive feedback report will have a new IDD flow number so that participants may choose not to receive this report (for example if their systems will not support it at its initial implementation time). <p><i>Changes to the Operate and Maintain Charge</i></p> <p>For the purposes of this response we have assumed the new changes will become live from the 1st January 2002, and as such have provided a monthly cost based upon the remaining 51 months of the operate and maintenance contract.</p>
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Proposed Plan for Change



Has the customer has indicated this is a competitive change		No
Service Provider Plan for competition		
Risks/Constraints of competition		
Service Provider plan for incorporation of change including testing		
Documentation to be produced by Service Provider to enable competition according to plan above		
Indicative costs of Service Provider role in competition		
For Change Notice only – to be completed by the Customer		
Basis for payment		
Agreed Customer Caused Delay: Yes/No		
If Yes, amount of delay		
Date Change to become effective.		Is this to be a Release Date? Yes/No
Other items as required under the Change Management Procedures		

3. Web-based Reporting

To be completed by the Originator						
Change Request ID (to be provided by the Customer) MP4 – Web based Contract Position Logica reference: 101_3			Service affected			
Change Request Name:			Web based Contract Position			
Agreement by the customer to proceed to the next stage						
	High Level Assessment	Detailed Level Assessment	Change Quotation	Implement Change	Emergency Fix Report	Change Request under Clause 14.2 (delay)
Tick which stage is being requested		✓				
Signed by Customer Baseline Manager						
Signed by Customer Contract Manager						
Date of agreement to proceed to next stage					n/a	n/a
Date this stage to be completed by		9/7/2001				
Configuration of Service(s) (baseline affected)	NETA programme services definition baseline (1.0)					
Assumed Changes (over baseline)	Amendments and Change Notices effective prior to the date of this Change Request.					
	Priority	Medium				
Identified by : ELEXON			Date Submitted May 2001			
Description of Change This Change is the first of three components of Modification Proposal MP4. The other two components are presented on separate change forms. This Change is described in the documents <ul style="list-style-type: none"> • MP4 Requirements for Enhanced ECVAA Reporting (version 2.0) section 2.1.3 • MP4 Dual Notification Requirements Specification (version 1.0) section 2.1.4 Meeting of the 7 th June agreed modification to the details of requirements, these modifications are referred to in the assessment.						
Reason for Change (benefits) See documents referenced above.						
Implications of not making the change See documents referenced above.						
Attachments/references			N/a.			
Competition Item No		N/a				
If Change Request made under Clause 14.2 (delay)		N/a.				

To be completed by the Service Provider				
	High Level Assessment	Detailed Level Assessment	Change Quotation	
Tick which stage is being completed		✓		
Signed by Service Provider Contract Manager				
Date		9/7/01		
Validity period of costs/prices	Change Quotation			
	Change		30 days.	
Does the change involve any changes to the System or Services			Yes.	
Would the undertaking of a Detailed Level Assessment or Change Quotation delay the Trigger Milestone or the Planned Go-Live Date before Go Live or any Release Date after Go Live			N/a.	
If Yes – specify which Milestones/Release Dates would be affected				
Impact on any Milestones of incorporation of change	N/a.			
Indicative impact on resources for change incorporation	Phase of the work			
	Design	Build	Test & Trial	Operate
Labour				
Materials/3rd Party				
Impact on Service Levels	None.			
Impact on IDD	N/a.			
Price for Detailed Level Assessment	N/a.		Indicative/firm	
Price for Change Quotation	N/a.		Indicative/firm	
Price for Change	<p>£445,200 (excluding VAT) to Develop and implement MP4 Web based Contract Position as a patch. £10,330 (excluding VAT) per month O&M charge. The above prices are based on the following assumptions:-</p> <ul style="list-style-type: none"> • Work will commence on the 1st August 2001. • The implementation of this component of MP4 has been planned on the basis of the simultaneous implementation of the other two components. This component cannot be implemented independently. • Price does not include provision for indexation of daily fee rates with effect from 1st April 2002. It is assumed all work within this FP quote will be completed by that date in accordance with the attached plan. • The response includes changes to the MP4 requirement agreed between ELEXON and Logica at the meeting of the 7th June 2001. These changes are detailed below in our work statement. The price assumes that the detailed user requirements for this component can be determined 		Firm	

	<p>within the time scale indicated in the attached plan.</p> <ul style="list-style-type: none"> • During the development of the change documents reviewed by ELEXON will be reviewed and comments returned to Logica with 5 working days of receipt of document. Only one iteration of all reviewed documents has been included in this price. Document updates only will be submitted for review. No allowance is included for addressing comments from ELEXON. • Within reasonable levels, ELEXON will make available appropriate staff to assist Logica during the development of this change. • Logica and ELEXON will agree upon a test strategy that can be carried out within the time scales indicated in the attached plan. • Some market testing will be appropriate. However, at this stage it is not possible to assess the level of interest/readiness within the participant community: hence the market testing activity has not been included within this proposal. This proposal covers the development and system testing of the new functionality and its deployment into an environment in readiness for market testing; it does not cover the preparation of materials for, or the execution, of market testing. • The operate charge identified above excludes any charge for the additional utilisation of computer and related equipment resources imposed by the operation of this change. When the recommendations of the performance study are known, Logica will propose how it should be recompensed for the provision of additional equipment resources necessary to maintain service levels. • Logica will invoice 30% on receipt of CN or authorised start of work, 2 mid-development milestones of 15%, 20% on completion of testing/ready to deploy. 20% on deployment or after 1 month after the completion of system testing. • There will be no new Service Levels. 	
<p>If the change is to be incorporated after Go Live, is this change proposed to be a patch or release</p>	<p>N/a.</p>	
<p>If patch, expected time of incorporation</p>	<p>January 2002</p>	

If release - what release number	Release number	
Date	Release Date	
For High Level Assessment only – is it a Detailed Level Assessment Yes/ No	If No, estimate of time and resources required to complete	
Resources Required to undertake	Detailed Level Assessment	Change Quotation
Labour		
Materials		
Consequential amendments to base line:		
Proposed method of Change/ Work statement	<p>The MP4 change proposal has been broken down into three distinct components as follows:</p> <ol style="list-style-type: none"> 1. Enhanced ECVAA reporting; 2. Dual notification; 3. Web based contract reporting. <p>Enhanced ECVAA reporting can be implemented independently of the other two. Note though that there are further changes to ECVAA reports included in the Dual notification component. Web based contract reporting component provides a second mechanism for providing the information contained in various ECVAA reports. This document deals solely with the Web based contract reporting change. This component covers the development of a web facility for the reporting of their contract positions to market participants. Note that this represents the first steps in the development of such a facility and provides only basic information. This could then be extended if the service proves to be popular with participants in this limited form. One possible extension in the future would be to allow entry of dual contract notifications via the web site, but this is not included in this proposal. Each party or agent may only see contract information which relates to themselves (e.g. contract notifications to which they are a counter party). The intention is to provide near real time access to information which would otherwise only be available through the forward contract report.</p> <p>Because of the restrictions in who can view information this will be implemented as a web site distinct from the existing BMRA web sites. Also there is no concept of information being published (e.g. by a TIBCO like product) to participants: screens will only be updated when “refreshed”. For this initial implementation, security will be provided through a user logon using standard secure sockets functionality. Future enhancements, e.g. the input of contract information, may require stronger authentication and a Smart Card type solution is envisaged; however this is not covered by this proposal.</p> <p>The web site will initially be implemented on an infrastructure comparable with the low grade BMRA web site. Performance will be monitored and recommendations produced as to any performance and resilience related enhancements that might be appropriate: such enhancements are excluded from this proposal.</p> <p>The key activities in this component are:</p> <ul style="list-style-type: none"> • Create the infrastructure of the web site using the same architecture as the BMRA Low Grade web site. Eg. servlet based, 3 tier using the same look and feel (style sheets etc) as well as connection handling for database access as the BMRA one, and implement this on a new web server and application server, but incorporating SSL; • Implement manual procedures to maintain passwords and usernames for access (No functionality is proposed to change the passwords on-line. All authentication detail changes would be done through requests over phone, e-mail to the operators.) • Implement search screens (based on date, file ID, authorisation ID, counter party) to view the current notifications and their status; the notifications would be displayed in a tabular format and could also be downloaded to a CSV file format, as with existing BMRA screens; from this it will possible to drill down into the details of the notification, which would include matching information. <p><i>Changes to the Operate and Maintain Contract</i></p> <p>For the purposes of this response we have assumed the new changes will become</p>	

		live from the 1st January 2002, and as such have provided a monthly cost based upon the remaining 51 months of the operate and maintenance contract.									
Proposed Plan for Change											
ID	Task Name	16 Jul '01	06 Aug '01	27 Aug '01	17 Sep '01	08 Oct '01	29 Oct '01	19 Nov '01	10 Dec '01	31 Dec '01	21 Jan '02
1	Web Based Contract Provision	▶									
2	Requirements Clarification	▶									
3	User Requirement Spec	▶									
4	System Spec	▶									
5	Manual System Spec	▶									
6	Operation Service Manual	▶									
7	Design Spec	▶									
8	Code and Unit Test	▶									
9	Integration Tests	▶									
10	Support Documents and Scripts	▶									
11	Regression Tests	▶									
12	Performance Tests	▶									
13	Client Witnessed Tests	▶									
14	Operational Handover	▶									
Has the customer has indicated this is a competitive change									No		
Service Provider Plan for competition											
Risks/Constraints of competition											
Service Provider plan for incorporation of change including testing											
Documentation to be produced by Service Provider to enable competition according to plan above											
Indicative costs of Service Provider role in competition											
For Change Notice only – to be completed by the Customer											
Basis for payment											
Agreed Customer Caused Delay: Yes/No											
If Yes, amount of delay											
Date Change to become effective.						Is this to be a Release Date? Yes/No					
Other items as required under the Change Management Procedures											

ANNEX 6 – CORE INDUSTRY DOCUMENT IMPACT ASSESSMENTS

No impact assessments were received from Core Industry Document Owners.

ANNEX 7 – TRANSMISSION COMPANY ANALYSIS

No impact assessment was received from the Transmission Company.

ANNEX 8 – PROJECT BRIEF – EXECUTIVE SUMMARY

The detailed costs and timescales in this Report are based on the costs and timescales received from the NETA Central Service Agent.

A Project Brief (reference 5) has been prepared which sets out in high level terms a proposed Project for implementation of the changes required to:

- develop enhanced ECVAA reporting to facilitate within day trading; and
- implement the necessary changes to the Code Subsidiary Documents and other configurable items.

The NETA Central Service Agent has provided costs and timescales for the development of enhanced ECVAA reporting. On the basis that the development commences on 1st August 2001, the NETA Central Service Agent estimates that the development would take approximately 5 months and cost £228,000. Monthly Operation and maintenance costs would be £10,300. This cost does not include the costs of Market Participant testing.

In addition to the NETA Central Service Agent's costs there will be ELEXON costs of £48k which including those for changes to Code Subsidiary Documents and Market Participant testing. The costs do not include any project management or audit costs.

ELEXON will be responsible for managing implementation of the Alternative Modification. It is likely that the Alternative Modification could be implemented by including it as part of the NETA Release 2 Project. On the basis that the implementation of the Alternative Modification is included in the BSC Systems Release 2 Project and that development starts in October 2001 the proposed Implementation Date for the Alternative Modification is 1st May 2002. It should be noted that if the Alternative Modification is developed as a stand alone project, the implementation date could be brought forward but this would then delay implementation of the BSC Systems Release 2 Project.

It should be noted that the NETA Central Service Agent has estimated that the provision of enhanced capability for the ECVAA BSC Agent to support the Alternative Modification and other Modifications would cost approximately £228k. This enhancement is not included as part of the Alternative Modification and has not been included in the Project Brief.

ANNEX 9 – INITIAL CONSULTATION – APRIL 2001**Annex 9a – Responses Received**

The following responses were received:

No	Company	For	Against	Other
1.	Enfield Energy Centre Ltd	✓		
2.	Aquila Energy Trading	✓		
3.	Deeside	✓		
4.	Dynegy	✓		
5.	Entergy	✓		
6.	GPU Power			No comment
7.	EdF			More assessment needed
8.	TXU Europe Energy Trading	✓		
9.	European Power Source	✓		
10.	Scottish & Southern		✗	
11.	UKPX			Comments on costs
12.	Northern Electric		✗	
13.	Scottish Power	✓		
14.	Seeboard		✗	
15.	Intergen	✓		
16.	BP Gas Marketing	✓		
17.	AEP	✓		
18.	Npower			No response at this time

Annex 9b – Detailed Responses Received

Below are the detailed responses received:

P4 ASS_001 Enfield Energy Centre Ltd

Response to Modification Proposal P04 - Dual Energy Contract Notification

In response to your consultation, Enfield Energy Centre Limited supports the introduction of dual energy contract notification. We agree with the proposer that the current single notification process is stifling short-term market liquidity and that a dual notification system will better facilitate short term trading.

We do not feel that a change of this nature would require significant resource and will result in much less expenditure in the longer term. It should be possible to build on the existing system such that those participants wanting the benefits of single notification with a particular ECVNA (for example a power exchange) can retain this option.

Of particular concern at the moment is the lack of real time feedback of a participant's contract position as established by the ECVA. In gas a participant's contract position is available in real time using AT Link, in electricity it is only possible to view the position held by the ECVA once the '7 day report' is received. Dual notification will ameliorate this situation though the provision of a simple feedback system will allow small participants with simple systems and those choosing single notification to check their own position against that of the ECVA. This is particularly valuable at times where either a participant or the ECVA has had system problems. Enfield Energy Centre Ltd does not feel that this needs to be a complex addition but could be facilitated using a website, obviously with appropriate security (such as the Low Grade Service).

While we support this modification fully we would hope that any proposal to introduce dual notification would retain the existing single notification functionality and include proposals to allow near real time access to a participant's own position as held by the ECVA.

Christopher Ford
Enfield Energy Centre Limited

P4 ASS_002 Aquila Energy Trading

Alastair Johnston
Aquila Energy Trading Ltd

Re: Dual Energy Contract Notification

Thank you for providing Aquila with the opportunity to respond to this modification proposal. We fully support the introduction of dual notification of all energy contract notifications.

Aquila understands that the modification will not require significant adjustments of the file formats that are currently sent to counterparties rather than central systems. The costs of changes to central systems will be worth bearing considering the inadequacies of the current regime.

At present the notification procedure raises substantial gas balancing and legal risks, Aquila would like to see these allayed through the implementation of this modification.

Alastair Johnston
Analyst, Legal & Regulatory Affairs

P4ASS_003 Deeside

From: Jeanna Coleman[SMTP:Jeanna.Coleman@Inatpower.com]
Sent: 19 April 2001 11:40
To: 'modifications@elexon.co.uk'
Subject: Modification proposal MP No P4

Deeside support strongly the proposal for Dual Energy Contract Notification

Jeanna

P4 ASS_004 Dynegy

Modification Proposal P004: Dual Energy Contract Notification.

Dynegy believe that the introduction of a dual notification process is important and necessary to fulfil the relevant objectives. The existing notification process relies upon the 7 day report to confirm notifications of trades and to allow counter parties to correct errors. However the 7 day report does not cover trades close to real time and thus acts as a disincentive for players to trade positions during each day, as the risks of incorrect notifications are high, the opportunity for corrections limited and potential financial exposure is significant. The risk associated with the existing notification system is acting as a barrier to trade, reducing the liquidity in the market and thereby its efficiency, market elements that NETA was designed to promote and encourage.

The proposed dual notification process will involve BSC parties, who currently nominate to their counter party, re-directing their nominations to the central system as a notification. This stops the existing lengthy process of nomination, notification and accept/reject, a triangle of communication with clear potential for failure. BSC parties will have minimal change to their computer systems because the file format operated by BSC parties at present can be the same format used for the dual notification process. Dynegy would be able to restructure its own system within twenty-four hours to make the relevant system changes required for dual notification and expect a similar change for others.

The changes required to the central system to accommodate a dual notification system are significant. The present central systems have no programme to make comparisons of notifications which dual notification requires. A programme would need to be designed to pair and then compare each of the submitted notifications, verify they match and reject them if they do not. Such a programme is not considered to be difficult to create and examples already exist within Europe, for example, the German power market and the UK gas market. The software programme can be designed to either accept notifications that are exactly the same volume or the lower volume of the two differing submitted notifications, as in UK gas. Participants would also want to look at the format of the acceptance and rejections and the timing of the matchings. Such systems normally carry out matches on an hour or half hour basis. It is clearly important that all participants know when to check for notifications and the different timings for checking will influence trading. Dynegy believe it is important in redesigning the notification system that we also ensure that the system can cope with an expansion in trading, as NETA is designed to encourage. The existing limitations of 2000 notifications already suggest a redesign is necessary, as well as desirable. We suggest that the modification group examine these details when drawing up a detail design criteria.

The (reference 3) report proposed that the contract matching service required for dual notification is conducted outside of the ECVA. This proposal does not reduce any of the requirements for dual notification, it simply creates a duplication. For example, the additional hardware required to deal with twice as many files created through the dual notification process will still be required regardless of whether the comparison process is located outside the existing ECVA. Moreover the programme for comparing submitted notifications is vital, no matter where the contract matching service takes place. Dynegy's estimates suggest an equal cost from constructing a new system compared to adding dual notification onto the front of the ECVA. Clearly participants will want to fully explore the costs of different means of achieving the same security and reliability offered by dual notification. As discussed above, as central ECVA systems already need replacing, due to volume constraints, we are not convinced an add on service gets round this problem. Dynegy estimate that the cost of implementing the dual notification system would be less than £1million and would take 3-4 months.

This modification better fulfils the relevant BSC objectives by improving the efficiency of the market and encouraging and facilitating trading through an efficient means to notify energy contracts to central system. NGC will also be capable of efficiently discharging their licence obligations by having BSC parties that are certain of their positions through dual notification and are more likely to have traded into balance. The lower risks will reduce costs to the benefit of customers.

Dynegy's internal IT department is willing to write the necessary software required and will actively participant in meetings to take part in a tender to discuss this issue further.

Lisa Waters

Senior Regulatory Analyst

P4 ASS_005 Entergy

MODIFICATION PROPOSAL P4 Dual Energy Contract Notification

Entergy Wholesale Operations (EWO) is broadly in support of modification proposal P4 to move to dual energy contract notification. However, there are a number of important issues associated with the introduction of dual notification that need to be fully assessed, for example:

- how long will it take to implement a dual notification system?
- what will be the impact on participants' existing systems?
- will it facilitate trading and notification sufficiently close to real time?
- what will be the cost to participants?

Modification proposal P4 correctly describes the problems participants are encountering with the current notification system (with most participants following Schedule 3B to the GTMA) and the effect that this is having on trading in the market, for example, the severe reduction of within day trading and the early termination of day ahead trading. There is clearly a need to revise the notifications process, however, full consideration should be given to alternatives to dual notification using the current systems. EWO favoured Schedule 3A to the GTMA which was designed to be a proxy for dual notification. Modifications to the proposed Schedule 3A would be necessary to facilitate within day trading, but EWO believes that such an approach is worthy of further consideration.

In the meantime, there would be merit in considering what changes could be made quickly and at low cost, albeit within the limitations of the current arrangements, to improve the current notification process. For example, more frequent reporting of contract notification positions.

Melanie K Wedgbury
Senior Manager, Regulatory Affairs

P5 ASS_006 GPU Power

From: Deregulation Control Group[SMTP:dcg@gpupower.co.uk]
Subject: GPU POWER UK's Response to 'P4 Assessment Comments'

Please find that GPU POWER UK's response to P4 Assessment Comments are 'No Comment'.

Rachael Gardener

Deregulation Control Group &
Distribution Support Office
GPU POWER.CO.UK

P4 ASS_007 EdF

P4 - This mod proposes Dual Notification. There is concern about the amount of increased risk that there would be inherent within such a system. Both parties have to notify and the data has to match ie there's twice the chance of getting something wrong. It will require many parties to change their systems again with all the consequent costs involved. The advantages would have to be clearly understood before this could be supported.

P4 ASS_008 TXU Europe Trading

TXU Europe Energy Trading
UK Trading

Modification Proposal P4: Dual Energy Contract Notification

Thank you for the opportunity to comment on the above modification proposal. TXU Europe Energy Trading Ltd (hereafter TXU) would like to make the following comments on behalf of all TXU Europe companies.

TXU support this modification proposal. We believe that it will provide a more efficient solution than the current single notification rules.

Dual energy contract notifications will also encourage liquidity in the within day OTC market. Such trades can not be reflected in the 7 day report and parties have no means by which to check that notifications have been made until after the day.

The modification proposal will need to be developed further to create a robust set of rules to facilitate dual energy contract notifications, and TXU will provide further comments at the report stage when the details surrounding the proposed rules are known.

Nicola Lea
Market Development Analyst

P4 ASS_009 European Power Source

The European Power Source Company (U.K.) Limited

Response to Consultation on Modification Proposal P4: Dual Energy Contract Notification

Thank you for the opportunity to comment on Modification Proposal P4: Dual Energy Contract Notification", submitted by Dynegy on the 28th March 2001. The European Power Source Company (U.K.) Limited ("EPSCO") supports this modification proposal.

The use of Energy Contract Volume Notification Agents (ECVNA) for the submission of energy contract volumes to the central systems for imbalance settlement purposes, has resulted in the industry being required to enter into more complex legal agreements than would otherwise be required. These agreements need to address a number of issues surrounding the ECVNA including the need to define who will act as the ECVNA, how energy contract volumes are notified and the liabilities surrounding notification failure. Currently there is no industry standard and there are many variations in agreements between the many counterparties.

In order to be in a position to meet their obligations under the BSC and under their bilateral contracts in this regard, participants either already have or will need to:

- (a) implement complex and potentially costly Counterparty to Counterparty file transfer systems with increased risk for data security; or
- (b) rely on a single snapshot view of their contractual position as published by the ECVA (7-Day Report), with the associated increased commercial risks this entails.

BSC Objectives

It clearly makes more sense and, over the industry as a whole, will be more economic if the central systems performed the central matching of notified contract volumes. This modification proposal would therefore better facilitate the achievement of the BSC Objectives:

- * by promoting efficiency in the implementation and administration of the balancing and settlement arrangements; and
- * by promoting effective competition in the generation and supply of electricity by minimising the commercial risk associated with notifying contract volumes and simplifying the communication systems requirements for new and existing participants.

Impact on BSC and Participant Systems

It is likely that the central systems will require some modifications; however, in the main, this would be limited to a front end matching system. The development and implementation cost incurred is likely to be significantly less than the current capital and operating costs being incurred by participants ensuring their contract volumes are correctly notified. There are several examples of existing matching systems, not least being the UK gas AT-Link matching system operated by Transco. BSC Parties will be able to use existing communication systems for contract notification to the central matching system.

Summary

EPSCO supports this Modification Proposal which should improve trading liquidity. Dual energy contract volume notification with a central matching mechanism will increase the transparency and certainty of the notification process, providing:

- * flexibility to notify all contracts at times convenient to participants
- * a centrally managed matching system which identifies those trades that are unmatched
- * the ability for participants to question central systems at any time to determine and confirm contractual positions

for and on behalf of The European Power Source Company (U.K.) Limited.

[Anthony J Gordon]
Director

P4 Ass_010 Scottish & Southern

BSC Modification Proposal P4: Dual Energy Contract Notification

Assessment Comments From Scottish and Southern Energy (SSE)

Summary

Whilst possibly a good idea if the central systems were designed for dual notification from the start, SSE do not think that introducing it now as set out in P4 (ie mandatory for all participants) is justified.

Presentation of Comments

According to the consultation notice, comments are provided which focus on the following areas on which the Mods Group is to report to the Panel:

- whether the Proposed Modification or any Alternative Modification would better facilitate achievement of the Applicable BSC Objectives;
- the impact of the Proposed Modification and any Alternative Modification on BSC Systems, processes and costs;
- the impact on Core Industry Documents;
- the impact on participants including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating costs associated with implementing the changes to the Code and to Core Industry Documents;
- the impact on the statutory, regulatory and contractual framework within which the Code sits (taking account of relevant utilities, competition and financial services legislation);
- view on the implementation date.

Is P4 an Improvement?

SSE does not believe that Mod P4 will be an improvement - ie we do not think it "would better facilitate achievement of the Applicable BSC Objectives". The main reasons for this are as follows:

- participants can achieve dual notification under the current arrangements anyway: we have already seen at least three providers offering third party ECVNA services operating using the dual notification approach - if the demand for the service is there then competition should deliver what the market, or sectors of the market, really wants, and at the right price;
- the terms under which a central dual notification service will be provided are not known - the costs to participants could (and economic theory indicates they would) be much higher than under the "competitive" route set out above;
- given that we can effectively choose between single and dual notification (via 3rd party ECVNAs) now, there is no reason to restrict the choices currently open to participants by introducing mandatory dual

notification at the centre (ie having single notification at the centre allows both single and dual notification solutions, but this is not true under dual notification at the centre);

- SSE's experience so far (ie up to 19/4/2001) has been that we have not had any notable problems with notification errors that could have been resolved more effectively under dual notification;

- it is not clear how the power exchanges would operate under mandatory dual notification, hence the implications for liquidity in on-the-day trading;

- it is not clear how parties who trade between their own production and consumption energy accounts (ie trade "internally") will operate under mandatory dual notification, hence the implications;

- it is plain to us that the 7 day report will still be used for checking under dual notification, hence the purported benefit of reduced administration is not clear.

Impact on BSC Systems, Processes and Costs

We think that P4 would have a significant impact on BSC systems, processes & costs.

Impact on Core Industry Documentation

Minimal/none.

Impact on Participants

Focusing on SSE (other participants will feed in their own views separately), it will have a significant impact on our systems and processes. Initial analysis indicates a development cost of £300k plus; there would be operational cost impacts too. With respect to commercial arrangements, there will be a need to review all the contracts we have traded under both bespoke and GTMA terms.

Impact on Regulatory Framework

Minimal/none.

Implementation Date

The later the better.

P4 Ass_011 UKPX

P4 Assessment Comments

Under the current single notification arrangements, Parties must match notifications prior to their communication to ECVAA. Parties undertake matching either through use of a third party agent (ECVNA) or bilateral agreement that one of the notifying parties will act as the ECVNA. The seven-day report (ECVAA I022) is being used in the latter case as a method of checking notifications, although the report was not specified for that objective.

Permitting dual notification, where Parties would individually and independently notify their contracted positions to ECVAA (either themselves or through a Party Agent), would necessitate the matching function being performed at the BSC central systems level rather than at the Party or Party Agent level. This would extend the services provided centrally and introduce new costs at that level, while potentially removing activities and costs at the Party or Party Agent level.

Should the proposed modification be accepted, then a new notification matching function would be required within BSC central services. This function would need new systems and operations. The supplier of such systems and operations need not necessarily be restricted to the incumbent supplier.

It is proposed here that if the proposal is accepted consideration should be given to procuring the notification matching function through competitive tender. This should bring efficiency to additional set up and operational costs to central services of adopting the modification. Competitive tender may also increase the choice of systems and operational methods offered. Alternative solutions provided through tender may also allow for choice in the impact of the new function on Parties own systems and processes, and the implementation timescale.

Andrew Foster
THE UK POWER EXCHANGE
20/4/01

P4 Ass_012 Northern Electric

Modification Proposal P4:
Dual Energy Contract Notification

Northern Electric welcomes the opportunity to comment on the modification for Dual Energy Contract Notification.

Having considered Modification Proposal P4, Northern Electric has some concerns about supporting this modification proposal. We could only support Dual Energy Contract Notification on the basis that it would be additional to the existing single notification agreements. We believe that Dual Energy Contract Notification would be a welcome alternative but not an acceptable total replacement for single contract notification.

Prior to NETA 'Go-Live', this proposal was possibly one of the most well supported options by the industry as a whole and we would have welcomed its implementation at that stage. However, we as have other market participants, have built our systems and processes around single notification and are still at the early stages of the new market.

Dual Energy Contract Notification may prove to be a more efficient system than a single notification system. However, we believe that the financial costs, time required to alter the central systems and the development of the necessary software make it inappropriate to introduce such a change so soon after 'Go-live'.

Lesley Mulley
Industry Communications Manager

P4 Ass_013 ScottishPower

From: NETA_SPOC[SMTP:NETA_SPOC@Scottishpower.plc.uk]
Sent: 20 April 2001 16:16
To: 'Modifications@elexon.co.uk'
Subject: RE: CONSULTATION ON MODIFICATION PROPOSALS P1, P2, P4 and P5

ScottishPower has reviewed Modification Proposals P1, P2, P4 and P5, and supports all of these proposed changes.

Steve Field
Calanais for ScottishPower
Design Authority, Deregulation Services

P4 Ass_014 Seeboard

From: Fraser, Sue[SMTP:SFraser@seeboard.com]
Sent: 20 April 2001 16:46
Subject: P4 Assessment Comments - Seeboard Response

Seeboard's comments on Modification Proposal P4 are as follows:

The implications of this proposed modification are far reaching for Seeboard Energy, both in terms of its systems and working practices.

Systems

This would involve substantial change to the Seeboard Energy's systems so that all trades could be notified virtually as and when they happen. Currently all Seeboard Energy's prompt trades are notified by the relevant power exchange. This is such a fundamental change that an entirely new system could be the preferred solution. Costs could be several £100K.

Working Practices

In the NETA world contracts are traded under the GTMA with either of two approaches to obtaining confirmation that the notified volumes are correct.

The proposal shifts the point of checking to the Central NETA Service Provider but leaves the resolution of differences with the counterparties.

The precise rules to be applied by the centre are not established but could increase the workload for Seeboard Energy, more of which is likely outside normal working hours leading to increased costs.

Implementation

The implementation of dual notification (i.e. conversion from single notification) would be a complicated process requiring significant level of effort.

It could be argued that Dual Notification was the more logical approach for day one and there was extended debate in the early stages of the NETA Programme. However, single notification appears to be working satisfactorily. Single notification makes life easier for the smaller player who does not have a highly resilient 7x24 operational capability.

There is no evidence that it is frustrating BSC Objectives. Single Notification should remain in place for a period of not less than a year so that the industry can fully understand all the practical issues.

Improvements can only be specified once sufficient experience or the existing arrangements have been built up and a sound economic case has been established.

Sue Fraser
for Dave Morton SEEBOARD
01903 283465

P4 Ass_015 Intergen

From: Rigby, Mark[SMTP:MRigby@INTERGEN.com]

Sent: 20 April 2001 17:49

Subject: 'P4 Assessment Comments'

InterGen and its constituent companies Rocksavage Power Company and Coryton Energy company strongly support the dual energy contract notification modification proposal.

InterGen was one of the signatures of the original letter to the DTI in the winter of 1999 which urged such a feature be built into the NETA design specification.

The reason for this is that the success of NETA relies on a deep, liquid forward contracts market. Therefore all aspects of the balancing mechanism which have an impact on the forward contracts market should be judged against the criterion of promoting liquidity.

Our initial experience of the forward contracts market post NETA has confirmed us in the view that dual notification would significantly promote market liquidity.

Mark Rigby

Vice President Energy Trading

P4 Ass_016 BP Gas Trading

From: Wilce, Simon[SMTP:wilces@bp.com]

Sent: 21 April 2001 12:49

Subject: FW: P4 Assessment Comments

> -----Original Message-----

> From: Wilce, Simon

> Sent: 20 April 2001 14:07

> In response to the proposed modification, BP Gas Marketing Limited would like to offer the following comments in support of the proposal, P4. I have addressed the comments in response to the specific areas you have asked parties to comment on, addressing issues as they arise.

>

> a) an analysis of whether the Proposed Modification or any Alternative Modification would better facilitate achievement of the Applicable BSC Objectives;

>

Here at BP we strongly believe that the dual notification modification, on a net (overwrite) basis, will reduce the perceived liabilities associated with entering power trading in the new trading market thereby enhancing confidence in trading and further enhancing bi-lateral trading and liquidity, this is required, in particular, within-day at this time.

> Additionally, through an enhanced trading market, traders and participants in the market will have a greater ability to get themselves into the balanced position required, in turn this will have the effect of reducing the cost burden on the system operator, thus paring down costs.

>

> Returning to the liabilities, we feel additionally that the perceived risks and liabilities associated with the current notification regime are not equitably split, giving some parties prohibitive restrictions on entry and other parties undue risks. Such a modification, as discussed above, would enhance confidence for all participants and place equal responsibilities (and costs) on all market participants.

> Such a change could be administered with the minimum of adjustment to existing bi-lateral contracts between parties (the GTMA).

>

> b) an assessment or estimate (as the case may be) of the impact of the Proposed Modification and any Alternative Modification on BSC Systems, processes and costs;

>

> In support of the modification, it is possible that the same notification methodology and process that exists at the moment (comms, format etc.) can be utilised. We would propose that a matching facility, necessary for dual notification, is either procured by the ECVAA, contracted out by the ECVAA, using the existing matching engine from Caminus (ZGrid) or one of the power exchanges over-the-counter matching engines (UKPX) or is developed by Logica at competitive rates. Such an engine, existing or otherwise, should not require excessive costs to be incurred by the ECVAA.

>

> > It should be noted that the matching engines required for dual notification could just as easily be outside the scope of the ECVAA as inside the ECVAA. Wherever the matching facility is managed it will be necessary for the participants to have access to the matched, notified position against their counterparties on a 24/7 basis.

>

> The use of a third party facility would limit change to the minimum for both the participants and the ECVAA and is likely to lead to dual

> notification being introduced to the market quickly and at lowest cost and such a solution could be facilitated through gradual change to the industry. This is because the format of contract notifications would remain the same, allowing participants to continue to send their single notifications to Logica if they so desired. Such a situation would mean that there would be no "Big Bang" and process changes would be easily implemented.

>

> We would finally add that Gate Closure should not be impacted if a third party matching and notification service is used as the ECVAA would either receive notifications in the manner they do now or, if the matching engine is between the ECVAA and the participants, a single flow of matched trades will be received by the ECVAA direct from the matching agent.

>

> c) an assessment of the impact of the Proposed Modification and any Alternative Modification on Core Industry Documents;

>

> If a solution as outlined above were taken forward, only the notification section of the BSC and any associated BSCPs would need to be adjusted. The only other documents that we believe would need to be slightly modified, through the addition of a new schedule, would be the existing bi-lateral GTMA agreements.

>

> d) an assessment of the impact of the Proposed Modification and any Alternative Modification on Parties in general (or classes of Parties in general) and Party Agents in general, including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating costs associated with implementing the changes to the Code and to Core Industry Documents;

>

> As outlined above, it is likely that the matching engine required by dual notification could be procured or developed in a number of cost effective ways. It is not clear at this time how these costs would be recovered, however with the overall aim of the modification being to increase liquidity, such costs would need to be kept to a minimum.

>

> e) an assessment of the Proposed Modification and any Alternative

> Modification in the context of the statutory, regulatory and contractual framework within which the Code sits (taking account of relevant utilities, competition and financial services legislation);

>

> Other than BSC adjustments, none are anticipated, however this would be for the Elexon expert group to ascertain.

>

> f) the Modification Group's proposed Implementation Date(s) for

> implementation (subject to the consent of the Authority) of the Proposed Modification and any Alternative Modification;

>

> In our view, such a modification should be progressed as soon as possible to benefit liquidity in the markets.

>

> Please feel free to call if you have any questions or issues resulting from our submission to your process.

>

> Simon Wilce BP, > Tel. 020 7579 7509, > Mob. 07765 897 926, > E-mail wilces@bp.com, > Senior Power Trader, UK Gas and Power

P4 Ass_017 AEP

Please find our comments on proposal P4 - Dual Energy Notification.

We fully support the proposal for Dual Energy Contract Notification as we believe

- 1) All most all centrally delivered or centrally settled markets in the world use a dual entry (matching) system.
- 2) There is an inherent risk of error to all counterparts who are reliant on third parties and are unable to verify their positions on an on line basis.
- 3) The current system in practical terms is inefficient and obscure.

We believe the risk generated by these procedures will ultimately be reflected in higher prices of the power. Additionally additional operation costs result from the necessity to have a weekend activity in respect to contract notification even though trading is very limited.

Additionally, we believe the technical and procedural requirements create a significant barrier to entry to the market for new participants.

In respect to the specific matters on which commented are requested :

a) Impact on the BSC section P is significant. There may be an apparent movement of the risk, but this in turn could be shared by all parties with some form of indemnity. Overall the risk would be lower.

b) Impact on systems significant, but this is the point of the proposal. Replace an unacceptable system with one which is functional and appropriate. New central software to be obtained (many similar systems used by exchanges could be used, and tendering would be competitive). Individual parties would effectively be remote users, may or may not wish to interface with their own systems. Should be significantly easier and cheaper than systems development required for current notification methods. We would be willing to write off our costs incurred to date. amendments to GTMA's would not be difficult.

c) No comment

d) Could result in removal of ECVNAs from the process. Alternatively, could set up one independent ECNVA effectively owned by the participants, which would match all trades and then notify to existing Logica systems. Would need to address contract notification from exchanges, although this could still be easily done on the same basis as bilateral contracts.

e) No comment

f) No comment

These are brief comments on the proposal. We note that during the NETA programme a number of attempts were made to introduce Dual Notification, and these were always rejected ignored. We do not feel the programme provided adequate explanations for it's decisions, and was not accountable to the participants. We trust that the legacy Modification process will not suffer from the same weaknesses.

John Whitehead

P4 Ass_018 npower

From: terry.ballard@npower.com
> Sent: 19 April 2001 16:07
> To: 'Ceri Hughes'
> Subject: RE: Responses to Modifications

Ceri,

Confirmation of telephone message.

You should have received our response to Mod P2. Having reviewed P1 & P4 we do not propose to respond at this time.

Thanks for the extension to the deadline.

Regards,

Terry
01905-720943

Annex 10 - Second Consultation & Impact Assessment – May 2001

Annex 10a – Responses Received

Responses were received from the following Parties:

- | No | Company |
|-----------|---------------------------|
| 1. | Siemens Co UK |
| 2. | GPU Power UK |
| 3. | Utilicorp (Aquila) |
| 4. | Powergen |
| 5. | SEEBOARD |
| 6. | Innogy |
| 7. | Northern Electric |
| 8. | European Power Source Co |
| 9. | TXU Europe |
| 10. | ScottishPower |
| 11. | AEP Energy Services |
| 12. | Axia Energy |
| 13. | Dynegy |
| 14. | United Utilities (Norweb) |
| 15. | Manweb Services |
| 16. | London |
| 17. | British Energy |

Annex 10b – Detailed Responses Received

Below are the detailed responses received:

P4_ASS_001 – Siemens Co UK

From: lina.shah@siemens.co.uk[SMTP:lina.shah@siemens.co.uk]

Sent: 30 May 2001 11:26

To: Modifications@ELEXON.co.uk

Cc: ccc@elxon.co.uk

Subject: Re: Change Proposal Circular - CPC 03 / P4 Modification Proposal - Further Consultation /Impact Assessment.

<<File: CPC 03.doc>> <<File: Consultation-Assessment Note v1.0.doc>> <<File: 014AAR10_TP.doc>>
<<File: 015AAR20.doc>> <<File: 004ABU10.doc>>

No impact.

Regards

Lina

P4_ASS_002 – GPU Power UK

From: Gardener, Rachael[SMTP:rachael.gardener@gpupower.co.uk]
Sent: 31 May 2001 16:45
To: 'Modifications@ELEXON.co.uk'
Cc: 'ccc@ELEXON.co.uk'
Subject: GPU POWER UK's response to Change Proposal Circular - CPC 03 / P4 Modification Proposal

Hello

GPU POWER UK would like to return a response of 'No Comment' to Change Proposal Circular - CPC 03 / P4 Modification Proposal.

Thanks

Deborah Hayward
(On behalf of)
Rachael Gardener

Deregulation Control Group &
Distribution Support Office
GPU POWER.CO.UK

* 08457 353637 Ext: 09 - 3802
Fax: 01384 405177
Email: rachael.gardener@gpupower.co.uk &
dcg@gpupower.co.uk

P4_ASS_003 – Utilicorp (Aquila)

From: Hilton, Jane[SMTP:jane.hilton@utilicorp.com]
 Sent: 01 June 2001 09:45
 To: 'Modifications@elexon.co.uk'
 Subject: P4 Consultation/Assessment

Please find below our responses to the questions in Section 3.

A. Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.

NO

B. Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.

YES

C. Do you think that if dual contract notification is to be implemented the service should be provided by:

- | | | |
|-------|--|-----|
| (i) | ECVAA (either as an enhancement to the existing system or a separate system) | YES |
| (ii) | A separate BSC agent | NO |
| (iii) | Other | NO |

D. Do you agree with the increase in scope to include improved reporting

YES

E. If the answer to D is yes, do you agree with the following priorities (which relates to the ease of implementation and associated timetables):

- | | | |
|-------|--|-----|
| (i) | Enhanced Acceptance Feedback dataflow as described in "MP4 Requirements for Enhanced ECVAA Reporting" - Priority 1 | YES |
| (ii) | Amendments should be made to the existing Forward Contract Report as described in "MP4 Requirements for Enhanced ECVAA Reporting" - Priority 2 | YES |
| (iii) | Web based Contract Position Reporting as described in "MP4 Requirements for Enhanced ECVAA Reporting" - Priority 3 | YES |

F. Do you think the ECVAA capacity for receiving contract notifications should be increased. YES

The implementation of dual notification will impact on our systems and processes. We would require 120 days notice to implement the necessary changes.

The implementation of enhanced reporting will impact on our systems and processes. We would require 90 days notice to implement the necessary changes.

We also have a couple of points which we like you to take into consideration.

1. The days we have specified to implement the necessary changes are the minimum days we will require after we have received absolute clear specification of what the changes are.
2. The matching timetable is not clearly specified. Are notifications held on to for a match until Gate Closure? If so, if they are not matched by Gate Closure, what happens to them then?

Name: Bill Bruce
 Organisation: Aquila
 Date: 1 June 2001

P4_ASS_004 - Powergen

25th April 2001

Dear Gareth,

Proposed Variation to BSC - Modification Proposal No: P4

Powergen welcomes this opportunity to comment on the modification proposed. Powergen would like to raise the following points in relation to the modification proposal above:-

Dual Notification

Powergen does not support the introduction of dual notification. The introduction of dual notification would not address the fundamental issues raised in the modification proposal as set out by Dynegy of reporting near real time contract positions. The introduction of a dual notification system would lead to significant additional costs being borne by the industry. The introduction of Dual notification is not a logical evolution of the current arrangements. Implementation would not only be very costly but the time taken to implement such a solution would be significant.

The position given by the NETA programme & Ofgem previously was to reject the case for dual notification under NCR 018. Following a meeting of Ofgem, BSC Co & industry representatives back in February 2000 the messages regarding dual notification were :-

- * There was a reluctance to provide dual notification through central services as the costs could not easily be split out from other NGC / affiliate services.
- * There are precedents in financial markets & that it was believed that 3rd party providers may provide a notification matching service external to the central systems.
- * The view was that industry participants could contract services external to central systems if they required matching services.

ECVAA Enhanced Reporting

In addressing the concerns raised by Dynegy in their modification proposal, the modification group has highlighted that the root triggers for the requirement of modification P4 related to reporting requirements from the ECVAA on contract positions. Under the proposals put forward in the "Requirements for enhanced ECVAA Reporting" the modification group highlighted the main issues as:-

- * the opacity of contract position for a Trading Party through the day; and
- * perceived curtailment of the operational day occasioned by the production of the ECVAA Forward Contract Report (ECVAA-I022 - the '7 Day Report')

Both of the issues highlighted above would be addressed by the improvements proposed to the ECVAA reporting functionality. In looking at the reporting enhancements proposed it would be useful to see the timescales & costs associated with each element.

Summary

In response to the proposal Powergen would support the requirements for the enhanced ECVAA reporting as we feel that the implementation of the enhancements would better facilitate the objectives of contract trading under the Balancing and Settlement Code. Powergen does not support the introduction of dual contract notification as this would require significant and costly changes to both central & industry participants systems. Powergen believes that there would be little gain in moving from single to dual notification once enhanced reporting is in place.

Please see Appendix 1 for answers to the questionnaire taken from the consultation document.

Powergen are currently investigating the potential implementation timescales with our service providers for both dual notification & enhanced reporting functionality.

Yours Sincerely

James Hawkins

Strategy & Regulation
Energy Trading
Powergen

Appendix 1

I have included below as requested in the consultation document answers to the questions raised in the consultation paper for modification P4.

Question/Response

A

Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.

No

B

Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.

No

C

Do you think that if dual contract notification is to be implemented the service should be provided by

N/A

(i)

ECVAA (either as an enhancement to the existing system or a separate system)

(ii)

A separate BSC Agent

(iii)

Other (please specify)

D

Do you agree with the increase in scope to include improved reporting

Yes

E

If the answer to D is yes, do you agree with the following priorities (which relate to the ease of implementation and associated timescales):

(i)

Enhanced Acceptance Feedback dataflow as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 1

Yes

(ii)

Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 2

Yes

(iii)

Web based Contract Position Reporting as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 3

Yes

F

Do you think the ECVAA capacity for receiving contract notifications should be increased

Yes

P4_ASS_005 - SEEBOARD**Summary of Response**

SEEBOARD do not support Dual Notification but do support Enhanced Reporting. Details of our response are given below. Please note we do have issues regarding our ability at this time to accurately ascertain implementation notice required for both these changes. Details of these issues are given within the comments section.

Detailed Responses

Question	Response
A	No – we see this as a costly change that brings no benefits beyond those that could be achieved by better reporting within existing arrangements.
B	No – we believe for the reasons given above that it would be essential to retain single notification if this modification were to proceed.
C	<p>(i) We have no real preference based on the limited information contained in current proposal. We suspect a new BSC agent acting as a single notification ECVNA to ECVAA would be cheaper option.</p> <p>(ii) See response to C (i).</p> <p>(iii) APX appears to offer this service now. We fail to understand why any party who wants dual notification does not use APX.</p>
D	Yes
E	<p>(i) Yes – but we would suggest a longer period of feedback covering 96-120 hours.</p> <p>(ii) Yes – but we are unsure if we have fully understood change 2 of the three changes described. We see little point in reporting null values where no notifications have taken place. Notifications of zero already appear. We support the other two changes.</p> <p>(iii) Yes – this would appear to provide all a party could ever need in terms of reporting/access to information. Perhaps the simplest/interim route to implement this would be to provide on the web a means of requesting an immediate "7 Day Report" to be sent through existing infrastructure. However, web access problems, as recently experience by Elexon, would need to be minimised or an alternative means made available.</p>
F	This is not a matter for BSC Parties, who can only see a fraction of the picture, to decide. Elexon should be managing ECVAA service through Logica. Presumably statistics are gathered about the performance of this service. This should be measured against agreed service levels. BSC Parties should report difficulties to Elexon, who having all information can balance costs with benefits.

The implementation of dual notification will impact on our systems and processes. We would require 180 days notice to implement the necessary changes.

The implementation of enhanced reporting will impact on our systems and processes. We would require 90 days notice to implement the necessary changes.

Comments:

The above estimates of elapsed time to implement are very approximate and dependent on several factors including:

- The lower level details of the dual notification process.
- The degree of opting out of dual notification that may be available.
- The speed with which our software supplier could develop a solution when others may be seeking significant changes to their systems.
- The availability of central test facilities.
- The resolution of contract issues e.g. revised Grid Trade Master Agreement.

We feel it appropriate to point out that requirement documents for these proposals are still at quite a high level. We have identified a number of serious issues that may have a solution but these papers do not contain sufficient detail to be sure.

1. From our perspective current arrangements of single notification are operating well and we would be reluctant to invest significant sums to change our systems or those at the centre. There are some shortcomings but believe that these can be improved by better reporting.
2. Under single notification it is possible for volumes to be notified incorrectly. Parties can protect themselves through the terms of their contracts and examination of the "7 day report". Under dual notification, from the perspective of a single party, nothing will reach settlement that has not been notified by that party. However **not all** a party notifications will be matched and pass through to settlement without good reporting and follow-up to solve mismatches. In our view it is accurate, timely and robust access to data about notified contracts that is the key to success under either approach.
3. Dual notification brings with it a number of serious problems:
Loss of Contingency – for matched dual notifications the systems of both parties must be fully operational. A fault at either party would frustrate notification. Currently it is possible to use either party's notification system.

Changes to business processes and supporting systems – parties have adopted a range of working practices to suit their business. Dual notification would tend to force parties to operate to timescales set by others. As a supplier we seek to notify contracts in their entirety shortly after the deal is done. Under dual notification proposal portions of all long running contracts would need to be notified on a daily/weekly basis. Compounded on top of this is a far more complex process of managing notification acknowledgements, business validation acknowledgements, and several kinds of matching messages. Dual notification has a significant operational overhead that would add costs to our business with no return.

Complexity of the Matching Process – it would be unwise to assume that any matching process would be without its problems. Many notifications will represent the sum of numerous transactions between two parties. Rounding errors could well lead to spurious mismatches especially if the data has been handled in a spreadsheet at some stage. Each Party would also need to agree an ECVN Reference to use on both notifications. Other unforeseen matching problems could well emerge.

Barrier to New Entrants – dual notification implies the need for a new entrant to either build a system or buy services from a third party. Under current arrangements this is not necessary with most potential counterparties having an ECVNA service available.

Implementation Risk – some Parties have experienced implementation problems exacerbated by compressed pre-production timescales in the run up to go live. Should this modification proceed appropriate test facilities would have to be provided over an extended period to minimise risks to an acceptable levels.

4. Dual Notification would be a very costly change to make. From our viewpoint we cannot see any benefit for a business such as ours. It would be essential to leave single notification as an alternative due to problems with system availability to ensure parties are not exposed to excessive risk. This would cause major problems for central systems in knowing when single or dual notification is required. We would also suggest that cost recovery for this modification, if it proceeds, should be achieved via a charge linked to use of dual notification. This would ensure that those parties who think they can benefit from the change pay for that change.

Name: _____ Dave Morton _____
Organisation: _____ SEEBOARD _____

Date: __1st June 2001 _____

P4_ASS_006 - Innogy**3.0 Consultation**

Would you please provide a response with your views on the increased scope of the MP4 Modification and the two documents referred to above. When doing so would you take note of the obligations of the MP4 Modification Group as described above. In particular would you provide a response to the following points:

	Question	Response
A	Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.	Yes/
B	Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.	/No
C	Do you think that if dual contract notification is to be implemented the service should be provided by	
	(i) ECVAA (either as an enhancement to the existing system or a separate system)	Yes/No
	(ii) A separate BSC Agent	Yes/No
	(iii) Other (please specify)	Yes/No
	Any of the above, dependent on costs, security, reliability and timescales.	
D	Do you agree with the increase in scope to include improved reporting	Yes/
E	If the answer to D is yes, do you agree with the following priorities (which relate to the ease of implementation and associated timescales):	
	(i) Enhanced Acceptance Feedback dataflow as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 1	Yes/
	(ii) Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 2	Yes/
	(iii) Web based Contract Position Reporting as described in as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 3	Yes/
F	Do you think the ECVAA capacity for receiving contract notifications should be increased	Yes/

4.0 Impact Assessment

When responding would you describe the impact on your processes and systems of implementing dual contract notification and enhanced reporting, in particular the timescales for implementation of each of the proposed changes in your organisation, using the form overleaf.

5.0 NETA Legal Framework

A high-level impact assessment has been made of the impact of MP4 Dual Notification Specification and MP4 Requirements for Enhanced ECVAA Reporting on the NETA Legal Framework. The result of this impact assessment is included with this note for information.

Please send your responses by 5 p.m. on Friday 1st June 2001 to the following e-mail address:

Modifications@elexon.co.uk

Please entitle your e-mail 'P4 Consultation/Assessment'

Thank you.

The implementation of dual notification will / impact on our systems and processes.

We would require at least 30___days notice to implement the necessary changes.

The implementation of enhanced reporting will / impact on our systems and processes.

We would require at least 30___days notice to implement the necessary changes.

Comments:

Necessary systems changes not expected to be too onerous but costs and timescales will be influenced by other changes required, possibly as a result of other modifications.

Name: _____

Organisation: _____

Date: _____

P4_ASS_007 – Northern Electric

1st June 2001
 Modifications
 ELEXON
 3rd Floor
 1 Triton Square
 London
 NW1 3DX

Dear Sir

Modification Proposal P4:
 Dual Energy Contract Notification

Northern Electric welcomes the opportunity to comment on the modification for Dual Energy Contract Notification.

A. Do you think that dual notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification

No - Northern Electric do not support the implementation of this Modification. The suggestion the dual contract notification should be run in parallel with single contract notification will increase complexity, costs and risks for all market participants. The issues associated with dual contract notification were sufficiently well debated at the NETA design stage. We would submit that the additional risks of dual contract notification outweigh the potential benefits to market participants at this time.

B. Do you think that dual notification as described in the Specification should be implemented as a replacement for single contract notification.

No - we do not support the use of dual contract notifications for the reasons set out in our comments on answer A above.

C. Do you think that if dual notification is to be implemented the service should be provided by

I. ECVAA (either as an enhancement to the existing system or a separate system)

II. A separate system

III. Other (please specify)

If the dual contract notification process is implemented (see comment on question 1 above) we believe that it would be better to continue using the ECVAA providing that this remained an economic and efficient service.

D. Do you agree with the increase in the scope to include improved reporting

We agree with this, as Northern Electric always supports improved reporting subject to the additional costs associated with such reporting being acceptable to market participants

E. If the answer to D is yes, do you agree with following priorities (which relate to the ease of implementation and associated timescales):

I. Enhanced Acceptance Feedback dataflow as described in 'MP4 Requirement for Enhanced ECVAA Reporting' - Priority 1

II. Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirement for Enhanced ECVAA Reporting' - Priority 2

III. Web based contract Position Reporting as described in 'MP4 Requirement for Enhanced ECVAA Reporting' - Priority 3

Yes, we agree with the listed priorities.

F. Do you think that ECVAA capacity for receiving contract notifications should be increased.

ECVAA capacity should not be a restraint on market liquidity. It should therefore be adequate to allow market liquidity to develop to its full potential.

Impact on Systems

The implementation of dual notification will impact on our systems and processes.
We would require 6 months notice to implement the necessary changes.

The implementation of enhanced reporting will impact on our systems and processes.
We would require 30 days notice to implement the necessary changes.

Yours faithfully
Lesley Mulley
Industry Communications Manager
Northern Electric

P4_ASS_008 – European Power Source Company

The European Power Source Company (U.K.) Limited
 Peterborough Court
 133 Fleet Street
 London EC4A 2BB

Dorcas Batstone
 Head of Modifications
 Elexon Ltd
 3rd Floor
 1 Triton Square
 London, NW1 3DX
 E-mail: modifications@elexon.co.uk
 1st June 2001

Response to Industry Consultation and Impact Assessment on Modification Proposal P4: Dual Energy Contract Notification

Thank you for the opportunity to comment on Modification Proposal P4: "Dual Energy Contract Notification". The European Power Source Company (U.K.) Limited ("EPSCO") supports this modification proposal.

Regarding the specific questions posed in the consultation note:

Question

Response

A

Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.

Initially (for a limited period) while the necessary changes are made to Trading Parties' systems the ability to operate both processes in parallel is desirable

B

Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.

Yes, Dual Notification should become the enduring notification process

C

Do you think that if dual contract notification is to be implemented the service should be provided by

(i)

ECVAA (either as an enhancement to the existing system or a separate system)

See Below

(ii)

A separate BSC Agent

Preferred Option unless a separate communications infrastructure is required

(iii)

Other (please specify)

-

D

Do you agree with the increase in scope to include improved reporting Yes, Strongly Support

E

If the answer to D is yes, do you agree with the following priorities (which relate to the ease of implementation and associated timescales):

(i)

Enhanced Acceptance Feedback dataflow as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 1

Yes

(ii)

Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 2

Yes

(iii)

Web based Contract Position Reporting as described in as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 3

This is our preferred option; however (i) and (ii) should be made higher priorities if they can be provided significantly more quickly than (iii).

F

Do you think the ECVAA capacity for receiving contract notifications should be increased ECVAA capacity should not limit BSC Parties notification activity

The implementation of dual notification and enhanced reporting will impact on our systems and processes; however we are confident that we will be able to meet any reasonable implementation timescales set to make the necessary changes.

We would like to see provisions made to enable industry participants to test their systems against the central systems prior to the implementation of these new processes.

Name: Chris Teverson

Organisation: The European Power Source Company (U.K.) Ltd

Date: 1st June 2001

Yours faithfully,

for and on behalf of The European Power Source Company (U.K.) Limited.

Anthony J Gordon, Director

P4_ASS_009 – TXU Europe

	Question (TXU Europe – all TXU Companies)	Response
A	Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.	YES/No
B	Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.	Yes/ NO
C	Do you think that if dual contract notification is to be implemented the service should be provided by	
	(i) ECVAA (either as an enhancement to the existing system or a separate system)	Yes/No
	(ii) A separate BSC Agent	Yes/No
	(iii) Other (please specify)	Yes/No
D	Do you agree with the increase in scope to include improved reporting	YES/No
E	If the answer to D is yes, do you agree with the following priorities (which relate to the ease of implementation and associated timescales):	
	(i) Enhanced Acceptance Feedback dataflow as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 1	YES/No
	(ii) Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 2	YES/No
	(iii) Web based Contract Position Reporting as described in as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 3	YES/No
F	Do you think the ECVAA capacity for receiving contract notifications should be increased	YES/No

As regards question C, this rather depends on the costings and timescales that are quoted by the existing service provider.

Impact Assessment

The implementation of dual notification will / will not impact on our systems and processes.

We would require ___days notice to implement the necessary changes.

The implementation of enhanced reporting will / will not impact on our systems and processes.

We would require ___days notice to implement the necessary changes.

Comments:

We have not yet been able to get a timescale for implementation from our software suppliers. However we do believe that a test environment should be provided to ensure that participants systems will be able to connect properly to the new system and to ensure that all data flows are working properly.

We believe that the longest implementation timescale may be those associated with the changes and renegotiations surrounding the GTMA.

P4_ASS_010- ScottishPower

1st June 2001

Gareth Forrester

Modifications Manager

Modification Proposal P4 - Dual Energy Contract Notification

Dear Mr Forrester,

ScottishPower is pleased to enclose our comments on the above Modification Proposal. In general, ScottishPower supports the changes proposed under this modification. Section 3.0 of the Industry Consultation and Impact Assessment document asked for our comments on particular aspects of this proposal. Please find our responses to your questions below:

A Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification?

We believe dual contract notification should be introduced to run in parallel with single contract notification. This gives Parties the option to continue with single notification and also provides a low risk migration path.

B Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification?

We believe dual notification should continue in parallel with single notification.

C Do you think that if dual contract notification is to be implemented the service should be provided by:

(i) ECVAA

(ii) A separate BSC Agent

(iii) Other

We would support option (i).

D Do you agree with the increase in scope to include improved reporting?

ScottishPower believes that enhanced near to real time reporting from ECVAA on contract positions will improve liquidity of current market operation with respect to within day trading, and we would therefore support the increase in the scope of this modification to include improved reporting.

E Do you agree with the priorities for enhanced reporting as outlined in the document "MP4 Requirements for Enhanced ECVAA Reporting

ScottishPower agrees with the changes proposed in this document, and the priority order they have been allocated.

F Do you think the ECVAA capacity for receiving contract notifications should be increased?

It would seem sensible that ECVAA was originally sized for market operation using single contract notification. Dual notification and enhanced reporting are likely to increase the volume of notifications by doubling some of the volume of notifications and increasing trading closer to real time. It would therefore seem appropriate to increase the volume of notifications ECVAA will process.

In section 2.6 of the Requirements Specification, a note is included that dual contract notification will be subject to a limit of a forward 7 days for volume notification, and that an effective to date in excess of 7 days from the time of submission will cause a business validation failure. ScottishPower can see no justification for this restriction, particular if dual notification is to be introduced as a replacement for single notification. We would prefer to see this restriction removed and for dual notifications to be submitted within any timescale as allowed currently under Section P of the BSC.

Finally, in response to your request for an impact assessment, the implementation of dual notification would impact ScottishPower's systems and process and we would require 4 months notification to

implement this. The implementation of enhanced reporting would also impact our systems and processes and we would require 1 months notice to implement.

I trust you find these comments helpful, and please do not hesitate to contact me should you wish to discuss any points further.

Yours sincerely,

Steve Field

ScottishPower Cathcart Business Park Spean Street Glasgow G44 4BE
Telephone 0141 568 2000

4 June, 2001

P4 Consultation Response

P4_ASS_011 – AEP Energy Services

From: jwhitehead@aep.com[SMTP:jwhitehead@aep.com]
Sent: 01 June 2001 17:26
To: modifications@elexon.co.uk
Subject: P4 consultation/assessment

Please find attached comments from AEP Energy Services Limited

Notes on questionnaire:

A : Do not believe it should be optional to retain single notification. However we are not in favour of proposal as described (see notes below)

B: Agree single notification should be replaced.

C: Do not have any immediate preference on options.

D: Yes

E: i) Yes
ii) Yes
iii) Yes

F: Yes

Implementation timing

Dual notification - 60 days

Enhanced reporting - 30 days

Other comments

We believe that dual notification is critical for the further development of the market, especially the prompt market. However we do not believe that amending the existing system architecture and environment is the appropriate solution. The existing systems are inefficient and inappropriate for their designed functions. To use this architecture for different or enhanced functionality can only lead to further problems. We believe central costs would be lower if one of the many existing matching systems used by exchanges around the world was used a basis for implementing dual notification. We oppose the proposal that the Logica consortium be used to develop the software, but the requirement should be put out to tender.

Additionally, the basis of match should be moved from volume notifications to trade (contract) notifications.

As a small comment on existing FTP flows - we would like to see a field on all flows (but in particular notification files) which would act as a senders reference which would be reported in ACKs and NACKs returned.

Sincerely

J.R.Whitehead, AEP Energy Services Limited

P4_ASS_012 – Axia Energy

	Question	Response
A	Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.	Yes
B	Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.	No
C	Do you think that if dual contract notification is to be implemented the service should be provided by	
	(i) ECVAAs (either as an enhancement to the existing system or a separate system)	Yes
	(ii) A separate BSC Agent	No
	(iii) Other (please specify)	No
D	Do you agree with the increase in scope to include improved reporting	Yes
E	If the answer to D is yes, do you agree with the following priorities (which relate to the ease of implementation and associated timescales):	
	(i) Enhanced Acceptance Feedback dataflow as described in 'MP4 Requirements for Enhanced ECVAAs Reporting' - Priority 1	Yes
	(ii) Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirements for Enhanced ECVAAs Reporting' - Priority 2	Yes
	(iii) Web based Contract Position Reporting as described in as described in 'MP4 Requirements for Enhanced ECVAAs Reporting' - Priority 3	Yes
F	Do you think the ECVAAs capacity for receiving contract notifications should be increased	Yes

4.0 Impact Assessment

When responding would you describe the impact on your processes and systems of implementing dual contract notification and enhanced reporting, in particular the timescales for implementation of each of the proposed changes in your organisation, using the form overleaf.

5.0 NETA Legal Framework

A high-level impact assessment has been made of the impact of MP4 Dual Notification Specification and MP4 Requirements for Enhanced ECVAAs Reporting on the NETA Legal Framework. The result of this impact assessment is included with this note for information.

Please send your responses by 5 p.m. on Friday 1st June 2001 to the following e-mail address: Modifications@elexon.co.uk. Please entitle your e-mail 'P4 Consultation/Assessment'. Thank you.

The implementation of dual notification will impact on our systems and processes. We would require 90 days notice to implement the necessary changes.

The implementation of enhanced reporting will impact on our systems and processes. We would require 10 days notice to implement the necessary changes.

Comments: While we feel that pursuing implementation of Dual Notification is worthwhile it is likely to have significant on our software provider ICIS. It would be useful to have ICIS involved in the consultation process to get their views on this. The expense to us and other participants would be significant.

Reporting will be critical whether Dual Notification is implemented or not and should be dealt with as soon as possible.

Name: Chris Leeds_

Organisation: Axia Energy Europe Ltd

Date: 01/06/01

P4_ASS_013 - Dynegy

1 June 2001

Dear Gareth,

Modification Proposal P004: Dual Energy Contract Notification.

Dynegy would like to make the following comments in relation to this consultation.

Dynegy believe the dual energy contract notification system should be implemented in parallel with the single contract notification system. The parallel running of the system will allow the ECVAAs system to be removed if it becomes obsolete due to participants preferring the dual notification system. Alternatively it will allow exchanges, who do the matching themselves, to continue to use the single notification system. While the existing ECVAAs system has some significant defects, notably its volume limitations, there is no reason to dismantle a system some participants may still wish to use.

Dynegy envisage the dual energy contract notification system operating in parallel with the existing ECVAAs system, feeding straight into settlements. As the ECVAAs system is unable to cope with significant increases in notifications, being limited to 2,000 notifications per settlement period, placing the dual system in front would be a very short term solution. Dynegy expects trading volumes to increase and placing a dual system in front of the ECVAAs would necessitate further changes to systems as trading increases. It is widely recognised that the existing ECVAAs system will need to be replaced because of increased trading and a new dual system maybe the obvious replacement.

This highlights the need to ensure that as well as sitting parallel to the ECVAAs system, that a dual notification system is scalable to accommodate increased trading activity and also flexible (to adapt to say shorter balancing periods). A separate BSC agent should be created, where the provider is chosen through the process of open tendering for the best value.

Dynegy believe that in principle the ECVAAs capacity for receiving contract notifications should be increased, however this is dependent upon the timing of the development of dual notification. Also if the dual notification system is developed by placing it in front of the ECVAAs then it would be necessary to increase the capacity of the ECVAAs. If, however, the dual system is to sit alone then the expansion of ECVAAs capacity is not required if dual notification can be delivered in a timely manner. If the implementation of the dual notification system requires a minimum of 6 months then Dynegy believe it will probably be necessary to expand the capacity of ECVAAs due to the system being unable to cope with the growing number of notifications.

Dynegy welcomes the increased scope of the modification to cover enhanced real time reporting. We are supportive of the acceptance feedback dataflow covering 72 settlement periods forward and amendments to the existing forward contract reports.

However, we would be extremely pleased with the introduction of a web based contract position reporting mechanism. Dynegy is familiar with the web based provision of reporting trades within the UK gas market, and find it extremely beneficial. The web reporting mechanism should display contract positions on a real time basis leading to an increase in confidence, through eliminating the uncertainty created by the 7 day report, that limits players to trade within day. Dynegy's systems could be adapted to facilitate the enhance reporting and would require three days notice.

Clearly the screen based nature of dual notification will further improve information flows. Finally Dynegy expect the implementation of dual notification to impact our systems and process, and would require a day to make the necessary changes. We do not believe the question as worded in the consultation is helpful as all participants will have to alter their systems to some degree. The question the modification group thought more relevant was "are participants willing to make these changes to their systems for the benefits of dual notifications?" Dynegy believe the costs of these changes are minimal compared to the benefits of dual notification.

Dynegy believe immediate action to enhance real time reporting is required to encourage within day trading and reduce participants' imbalance risks. However, Dynegy would like to state that these measures should not be considered as a comprise to dual notification. The dual notification system is the end objective and Dynegy would only require a day to make the necessary changes.

Attached is Dynegy's response to the questions contained within the impact assessment. If you have any additional questions please do not hesitate to contract me on 020 8334 7267 or Lisa Waters on 020 8334 7265.

yours sincerely,

Rekha Patel.

Power Regulatory Analyst.

P4_ASS_013(A1) – Dynegy (Attachment)

1.0 Introduction

Attached to this note are copies of the following documents:

- MP4 Dual Notification Specification (014AAR10_TP);
- MP4 Requirements for Enhanced ECVAA Reporting (015AAR20); and
- MP4 High Level Impact Assessment of NETA Legal Framework (004ABU10).

It should be noted that Modification Proposal MP4 originally only covered Dual Contract Notification. The scope of Modification Proposal MP4 has subsequently been widened by the MP4 Modification Group to include additional processes which are intended to address the root issues that triggered the requirement for Modification Proposal MP4 and allow for in-day trading. As a result the Modification Group's proposals are being sent for both consultation and impact assessment at the same time. The consultation is to seek agreement on the increase in scope of the Modification. The impact assessment is intended seek views on the proposed detailed solutions and assess their impact on Parties' systems and processes.

2.0 Background

On 28th March 2001 a Modification Proposal (MP4) was submitted to the BSC Panel which proposed that dual notification of all energy contract notifications should be introduced. At its meeting on 5th April 2001 the BSC Panel agreed that this proposal should be submitted to a Modification Group under the Assessment Procedure as described in section F2.6 of the Balancing and Settlement Code. As a result, the MP4 Modification Group was established.

The MP4 Modification Group must prepare a written report for the Panel that includes the following matters (see BSC Annex F-1):

- (a) an analysis of whether the Proposed Modification or any Alternative Modification would better facilitate achievement of the Applicable BSC Objectives;
- (b) an assessment or estimate (as the case may be) of the impact of the Proposed Modification and any Alternative Modification on BSC Systems, processes and costs;
- (c) an assessment of the impact of the Proposed Modification and any Alternative Modification on Core Industry Documents;
- (d) an assessment of the impact of the Proposed Modification and any Alternative Modification on Parties in general (or classes of Parties in general) and Party Agents in general, including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating costs associated with implementing the changes to the Code and to Core Industry Documents;
- (e) an assessment of the Proposed Modification and any Alternative Modification in the context of the statutory, regulatory and contractual framework within which the Code sits (taking account of relevant utilities, competition and financial services legislation);
- (f) the Modification Group's proposed Implementation Date(s) for implementation (subject to consent of the Authority) of the Proposed Modification and any Alternative Modification.

Industry members were asked to provide their comments on MP4 in April 2001. Responses were obtained from 18 Parties of which 10 broadly supported and 3 objected to the Proposal and 3 provided other responses. The remaining 2 responses made no comment. The majority of respondents indicated that they believed that the major factors impeding liquidity of within day trading in current market operation were: -

- the opacity of contract position for a Trading Party through the day; and
- perceived curtailment of the operational day caused by the production of the ECVAA Forward Contract Report (ECVAA – I022 – the '7 Day Report').

2.1 Dual Notification Requirement Specification

These responses have been considered by the MP4 Modification Group which has produced a Dual Notification Specification; a copy of the Specification is included with this note. This document is not intended to be the specification of the change required at this stage, but is intended to represent the process against which further work is required in order to provide the complete change specification.

2.2 ECVAA Enhanced Reporting Requirement Specification

The MP4 Modification Group recognised that the potential time lapse before implementation of a solution to Dual Contract Notification could be considerable. In view of this, the MP4 Modification Group agreed that enhanced real time reporting from ECVAA on contract positions would significantly increase within day trading and better meet, therefore, the objectives of the Code. As a result, the MP4 Modification Group has also produced a second document 'MP4 Requirements for Enhanced ECVAA Reporting', a copy of which is also included with this note.

2.3 Increased ECVAA Capacity

The MP4 Modification Group recognised that there was a need to increase the capacity of ECVAA to accept contract notifications beyond the present limit of 2000 per Settlement Period. This increase was required both to meet present service levels and particularly to deal with the significant increase in contract notifications that will result from in-day trading facilitated by improved reporting and Dual Notification. The MP4 Modification Group is planning to obtain an impact assessment from Logica for increasing the ECVAA contract notification limit.

3.0 Consultation

Would you please provide a response with your views on the increased scope of the MP4 Modification and the two documents referred to above. When doing so would you take note of the obligations of the MP4 Modification Group as described above. In particular would you provide a response to the following points:

	Question	Response
A	Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.	Yes
B	Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.	No
C	Do you think that if dual contract notification is to be implemented the service should be provided by	
	(i) ECVAA (either as an enhancement to the existing system or a separate system)	No
	(ii) A separate BSC Agent	Yes
	(iii) Other (please specify)	Open tender
D	Do you agree with the increase in scope to include improved reporting	Yes
E	If the answer to D is yes, do you agree with the following priorities (which relate to the ease of implementation and associated timescales):	
	(i) Enhanced Acceptance Feedback dataflow as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 1	Yes
	(ii) Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 2	Yes
	(iii) Web based Contract Position Reporting as described in as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 3	Yes
F	Do you think the ECVAA capacity for receiving contract notifications should be increased	Yes

4.0 Impact Assessment

When responding would you describe the impact on your processes and systems of implementing dual contract notification and enhanced reporting, in particular the timescales for implementation of each of the proposed changes in your organisation, using the form overleaf.

5.0 NETA Legal Framework

A high-level impact assessment has been made of the impact of MP4 Dual Notification Specification and MP4 Requirements for Enhanced ECVAA Reporting on the NETA Legal Framework. The result of this impact assessment is included with this note for information.

Please send your responses by 5 p.m. on Friday 1st June 2001 to the following e-mail address:

Modifications@elexon.co.uk

Please entitle your e-mail 'P4 Consultation/Assessment'

Thank you.

The implementation of dual notification will impact on our systems and processes.

We would require 1 days notice to implement the necessary changes.

**Modification Proposal MP4: Dual Energy Contract Notification
Industry Consultation and Impact Assessment**

The implementation of enhanced reporting will impact on our systems and processes.

We would require 3 days notice to implement the necessary changes.

Name: Rekha Patel _____

Organisation: Dynegy UK Limited _____

Date: 01/06/01 _____

P4_ASS_014 – United Utilities (Norweb)

4 June 2001

From: Livesey, Derek

> > > Sent: 01 June 2001 14:00

> > > To: 'sahra.abdillami@elexon.co.uk'

> > > Subject: CPC 03/P4 Modification Proposal

> > >

> > > Sahra

> > >

> > > CPC 03/P4 Modification Proposal

> > >

> > > The implementation of dual notification and enhanced reporting will not impact upon Norweb Distribution's systems.

> > >

> > > Derek Livesey

> > > Supplier Liaison

> > > United Utilities (Norweb Distribution)

> > > Tel: 01772 848680

P4_ASS_015 – Manweb Services

1 June 2001

Please be advised that comments made on behalf of ScottishPower also apply to Manweb plc and Manweb Services Ltd. This includes the comments sent on Friday regarding MP4.

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

P4_ASS_016 – London Electricity

6 June 2001

Response from London Electricity plc

	Question	Response
A	<p>Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.</p> <p>Comment: Dual notification is superficially attractive, but it only moves the problem of what to do with a notification error to a different point in the process. It is disingenuous to assume that it is purely optional. If Party A decides it wants it, Party B is happy to run both options and Party C that it doesn't want dual notification, then if Party B wants to trade with both A & C, there are three choices.</p> <ul style="list-style-type: none"> • A, B & C all use dual notification so C is not satisfied. • None of A, B or C use dual notification so A is not satisfied. • A and B trade via dual notification, B and C by single notification - fine, except that B now has to be capable of operating two different processes in parallel which is not ideal. 	No
B	Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.	No
C	Do you think that if dual contract notification is to be implemented the service should be provided by	
	(i) ECVAA (either as an enhancement to the existing system or a separate system)	Yes
	(ii) A separate BSC Agent	No
	(iii) Other (please specify)	
D	Do you agree with the increase in scope to include improved reporting.	Yes
	Comment: We fully support the moves towards enhanced reporting. We have a few issues which we outline below.	
E	If the answer to D is yes, do you agree with the following priorities (which relate to the ease of implementation and associated timescales):	Yes
	(i) Enhanced Acceptance Feedback dataflow as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 1	
	Comment: There will be a significant increase in the volume of files that will be returned by Logica to support this process. A standard 3B contract notification run will result in an additional 45 files being produced, not to mention the quantities that will result when other ECVNA's notify. This will significantly increase the strain on our systems at a volatile time (6pm - 7pm daily). To this end therefore any change MUST be subject to implementation on a Logica test site that participants can log in to, and simulate daily traffic with, in order to confirm acceptance of both system changes at Logica as well as with our systems.	

- (ii) Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirements for Enhanced ECVA A Reporting' - Priority 2 Yes

Comment: There are a number of ECVNA relationships that have been established as fall back positions should the basic requirements of the GTMA agreement not be achievable. This change would result in a large quantity of data being sent to us unnecessarily each day. The impact of this would be to increase the amount of zero value data appearing on our reconciliation report to which no matching trade exists within our systems. This would seem to make it harder to find genuine errors on the report.

Point 3 of this request includes the addition of a filename of last submitted data. What happens if there are no submissions made (point 2 produces zero reports). Recent experience of the reconciliation report has also shown that Logica are not always strictly taking the snapshot at 18:30. Therefore if adjustments are being made to the header record of the time of the snapshot, then our EMC could satisfy themselves that a file submitted on or around 18:30 was included or not (as well as enable us to see when the snapshots were taken as one report indicates a snapshot prior to 17:30).

- (iii) Web based Contract Position Reporting as described in as described in 'MP4 Requirements for Enhanced ECVA A Reporting' - Priority 3

Comment: As we understand it, the web solution is designed to be a near real time position view at BSC party only level. If the above two developments are delivered before this, we can see little benefit to the EMC operations if the site is accessed by requesting specific relationship views. There would also need to be a significant number of security controls built on this site to prevent access to counter-party position data.

- F Do you think the ECVA A capacity for receiving contract notifications should be increased Yes

The implementation of dual notification will impact on our systems and processes. We would require 6 months notice to implement the necessary changes.

The implementation of enhanced reporting will impact on our systems and processes. We would require 3 months notice to implement the necessary changes.

Paul Chesterman

For London Electricity plc, 06 June 2001.

P4_ASS_017 – British Energy

22 June 2001

MP4: Dual Energy Contract Notification Review Comments**Summary**

1. Key concern is the removal of the contingency arrangements whereby the other counterparty can perform the notification should the “normal” one not be in a position to do so. Although the documentation states that this is intended to run as an optional process in parallel with the existing single notification, the reality could well be that we are forced down the dual notification route.

BE would not support this proposal.

2. The proposals put forward within the Enhanced ECVAAs Reporting stream are, on the whole, sensible moves forward and ones which BE would support.

Given their full implementation it is difficult see what further benefit would be derived from the implementation of Dual Notification.

Detailed Points**Dual Notification**

1. No mention is made of additive notifications, is it therefore to be assumed that additive notifications will be limited to a forward notification of 7 days – the documentation is unclear in this area. If so then this would have implications for our processes and systems. (The document actually states that an ECVN/ MVRN made with at “effective to date” in excess of 7 days from the time of submission would result in a rejection – no caveats are mentioned).
2. It is unclear whether it would be possible to switch between single and dual notification for a particular counterparty ECVAAs relationship, and if so how this would be managed, particularly in relation to the impact on the messaging (e.g. separate ECVAAs Id & Key for single and dual notification)
3. Acceptance will be at the settlement period level, and therefore it could be the case that ECVNs/MVRNs acquire a status of partial acceptance/rejection – a new concept and one which might be difficult to unravel for settlement. Additionally it would also be possible for a single ECVN/MVRN to have a number of acceptance messages, each relating to different periods.
4. The matching process is dependent upon a match on ‘contract reference’. For Net Notifications we use ECVNAAs Id + Effective Date as our contract reference, not all Participants necessarily use this and in particular they definitely do not use the same date format (e.g. we use yyyyymmdd, others may use dd-mmm-yyyy). For Additive Notifications we use the Trade Ticket number – this would have no chance of matching a reference generated within another counterparty’s system.
5. The deemed date and time of the notification will be that at which the second notification which causes the match is received by the CMP. We could submit our notification well before gate closure but it could still be rejected as being post gate closure, if our counterparty is late with their submission. It could also mean that there is more uncertainty as to the exact contract position (as accepted by Central Systems) that we drive our physical position to as gate closure arrives.
6. The 7 Day Report would contain both matched and unmatched data. Due to the period by period acceptance of information, the process of checking this information *could* be more complex.
7. **The facility to allow direct access to the ECVAAs database to review your contract position would be a good step forward, but it is no more than is being proposed under the Enhanced ECVAAs Reporting.**
8. Agreement would need to be reached with counterparties as to when trades are notified, particularly, for example, with the Power Exchanges where the frequency of trading is greater. It would appear that to gain the greatest chance of a match, trades would need to be notified on a trade-by-trade basis which would defeat the object of Net Notifications.
 - **Overall these proposals would have a significant impact on our systems (and therefore cost).**

We have had some limited input from one of our suppliers which implies that the cost of these changes will be high (albeit spread across clients), however this is against limited detail and without clarification of the points above. Before full agreement to any change we would need to carry out a full impact assessment across our whole systems solution. Note this change affects a number of applications and interfaces between them.

Enhanced ECVAA Reporting

1. Acceptance Feedback Report

The Acceptance Feedback Report would be welcomed as providing a positive acceptance of an ECVN/MVRN as opposed to the current assumption that if a Rejection is not received 15 mins after the original notification everything is ok. However, as this acceptance is for 72 settlement periods forward, it is unclear how this would operate for Additive notifications, which are likely to cover a much longer period. **Again there would be an impact on our systems in terms of processing this new flow.**

2. Amendments to the Existing Forward Contract Report

- **BE would support the inclusion of the within day periods yet to reach gate closure**
- The inclusion of null/zero volumes for settlement periods for any relevant ECVNAA relationship could lead to a significantly increased volume of information being presented for no real benefit, **so BE would not support this.**
- **BE would support the inclusion of the filename of the notification last received,** however it would only be of benefit to a particular counterparty if it were the filename of the notification last received from that counterparty (as opposed to the filename of the last notification for the relationship from either counterparty)
- **These changes should have minimal impact on our systems.**

3. Web Based Contract Position Reporting

BE would support this in principle. However the documentation, at this stage, is lacking any real detail.

Consultation

Our response to the Mod Panel Questions is as follows:

	Question	Response
A	Do you think that dual contract notification as described in the Specification should be implemented as an option to be run in parallel with single contract notification.	No
B	Do you think that dual contract notification as described in the Specification should be implemented as a replacement for single contract notification.	No
C	Do you think that if dual contract notification is to be implemented the service should be provided by	
	(i) ECVAA (either as an enhancement to the existing system or a separate system)	Preferred
	(ii) A separate BSC Agent	No view
	(iii) Other (please specify)	No view
D	Do you agree with the increase in scope to include improved reporting	Yes
E	If the answer to D is yes, do you agree with the following priorities (which relate to the ease of implementation and associated timescales):	
	(i) Enhanced Acceptance Feedback dataflow as described in	Yes

	'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 1	
(ii)	Amendments should be made to the existing Forward Contract Report as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 2	Partial – see comments
(iii)	Web based Contract Position Reporting as described in as described in 'MP4 Requirements for Enhanced ECVAA Reporting' - Priority 3	In principle
F	Do you think the ECVAA capacity for receiving contract notifications should be increased	Yes

Annex 10c – Summary Of Responses Received

Appended to this document, in excel format, is a matrix of the responses received to the second consultation/impact assessment.