



March 2001

**INITIAL ASSESSMENT OF
MODIFICATION PROPOSAL P1**

**Extension of the Definition of
ECVAA Systems Failure For
Permitting Post Gate Closure
Notification**

Prepared By ELEXON Limited

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I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Signature	Change Reference
0.1	02/04/01	Trading Development		

Version	Date	Reviewer	Signature	Responsibility
1.0	03/04/01	Trading Strategy		

b Distribution

Name	Organisation
BSC Panel	
BSC Parties	
BSC Agents	
The Authority	
National Electricity Consumers Council	
Core Industry Document Owners	
BSC Website	

c Intellectual Property Rights and Copyright

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1 INTRODUCTION

This Report has been prepared by ELEXON Ltd. on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

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

2 EXECUTIVE SUMMARY

An initial assessment of Modification Proposal P1 has identified the following potential areas of impact and issues to be considered:

- detailed consideration is required regarding the definition of the boundary of "ECVAA System";
- Consideration should also be given to extending the definition to address failure issues with the "Low grade facility" communications medium;
- there may be implications regarding identifying post gate closure contract notifications that may or may not be due to ECVAA system failure; and
- careful consideration is required as the proposal is for retrospective implementation. Such a change would have both system and process impacts and could effect already established liabilities.

Therefore, it is recommended that the Modification Proposal is progressed as follows:

- Definition Procedure
- The Definition Report be submitted to the Panel Meeting on 31 May 2001

3 PURPOSE AND SCOPE OF THE REPORT

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

The BSC Panel is charged with supervising and implementing the modification procedures. ELEXON provides the secretariat and other advice, support and resource required by the Panel for this purpose. In addition, if a modification to the Code is approved or directed by the Authority, ELEXON is responsible for overseeing the implementation of that amendment (including any consequential changes to systems, procedures and documentation).

When a new proposal to modify the BSC is made, it is the responsibility of the Panel to determine how it should be progressed. Options include submitting the proposal to a Definition Procedure¹, submitting it to an Assessment Procedure², amalgamating the proposal with another proposal³, or proceeding directly to the Report Phase⁴. With a view to assisting the Panel in taking this decision, ELEXON prepares this initial written assessment of the implications of the Modification Proposal as soon as reasonably practicable after the proposal is made⁵. ELEXON endeavours to complete this initial assessment such that it can be reviewed by the Panel at the Panel meeting at which the relevant Modification Proposal is first to be considered.

This initial assessment provides a preliminary view on the following:

- the potential impact of the proposed modification on BSC systems and processes;
- the potential impact of the proposed modification on other systems and processes used by Parties;
- the potential impact of the proposed modification on the BSC, Code Subsidiary Documents and Core Industry Documents;
- the potential impact of the proposed modification on ELEXON;
- the potential impact of the proposed modification on BSC financial arrangements & budget;
- the potential impact of the proposed modification on BSC Agent contractual arrangements;
- The process and timetable that should be adopted for the progression of the Modification Proposal, in light of its complexity, importance and urgency; and
- Issues that will need to be considered and addressed in progressing the Modification Proposal (including the potential need for impact assessments, consultation and analyses).

It should be noted that, as this document only represents a preliminary assessment of the Modification Proposal, the information contained herein will, in most cases, be superseded by the subsequent analysis and reports produced by the Modification Group to which the Panel assigns the proposal for consideration.

¹ see BSC F2.5

² see BSC F2.6

³ see BSC F2.3

⁴ see BSC F2.7

⁵ see BSC F2.1.8

4 DETAILS OF THE MODIFICATION PROPOSAL

A copy of the Modification Proposal form, as submitted by its proposer, can be found at Annex 1 to this report. The form contains the following information provided by the proposer in relation to the proposal⁶:

- the name of the Proposer;
- the name of the representative of the Proposer (and his alternate) who shall represent the Proposer in person;
- a description (in reasonable but not excessive detail) of the issue or defect which the proposed modification seeks to address;
- a description (in reasonable but not excessive detail) of the proposed modification and of its nature and purpose;
- where possible, an indication of those parts of the Code which would require amendment in order to give effect to (and/or would otherwise be affected by) the proposed modification and an indication of the nature of those amendments or effects;
- the reasons why the Proposer believes that the proposed modification would better facilitate achievement of the Applicable BSC Objective(s) as compared with the then current version of the Code;
- where possible, an indication of the impact of the proposed modification on Core Industry Documents; and
- where possible, an indication of the impact of the proposed modification on BSC Systems and on other relevant computer systems and processes used by Parties.

⁶ See BSC F2.1.2

5 IMPACT ON BSC SYSTEMS AND PROCESSES

BSC System / Process	Potential Impact of Proposed Modification
Registration	No impact identified
Contract Notification	Would enable participants to retrospectively register contracts for the period while their High Grade link was unavailable
Credit Checking	Potential Changes required
Balancing Mechanism Activities	No impact identified
Collection and Aggregation of Metered Data	No impact identified
Supplier Volume Allocation	No impact identified
Settlement	No impact identified
Clearing, Invoicing and Payment	No impact identified
Reporting	No impact identified
Dispute Resolution	Potential Significant Impact

6 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

System / Process	Potential Impact of Proposed Modification
Notification Agents	Submission on contracts

7 IMPACT ON DOCUMENTATION

7.1 Impact on Balancing and Settlement Code

BSC Section	Potential Impact of Proposed Modification
A: Parties and Participation	No impact identified
B: The Panel	Would be called upon to adjudicate in cases where participants wanted to invoke the ECVAA recovery process after a communications failure
C: BSCCo and its Subsidiaries	Disputes Process and Technical Assurance: Detailed Analysis required
D: BSC Cost Recovery and Participation Charges	No impact identified
E: BSC Agents	No impact identified
F: Modification Procedures	No impact identified
G: Not Used	-
H: General	No impact identified
I: Not Used	-
J: Party Agents	No impact identified
K: Classification and Registration of Metering Systems and BM Units	No impact identified
L: Metering	No impact identified
M: Credit Cover and Credit Default	No impact identified
N: Clearing, Invoicing and Payment	No impact identified
O: Communications	Would need to be updated to reflect the changed operation

BSC Section	Potential Impact of Proposed Modification
P: Energy Contract Volumes and Metered Volume Reallocations	The addition of the capability for single participants to retrospectively submit contracts would represent a significant change to the operation of these systems, and would require detailed analysis
Q: Balancing Mechanism Activities	No impact identified
R: Collection and Aggregation of Metered Data from CVA Metering Systems	No impact identified
S: Supplier Volume Allocation	No impact identified
S: ANNEX S-1 Performance Levels and Supplier Charges	No impact identified
S: ANNEX S-2 Supplier Volume Allocation Rules	No impact identified
T: Settlement and Trading Charges	No impact identified
U: Provisions Relating to Settlement	No impact identified
V: Reporting	No impact identified
W: Trading Queries and Trading Disputes	No impact identified
X: Definitions and Interpretation	Redefinition of boundaries of NETA central systems
X: ANNEX X-1 General Glossary	Redefinition of boundaries of NETA central systems
X: ANNEX X-2 Technical Glossary	Redefinition of boundaries of NETA central systems

7.2 Impact on Code Subsidiary Documents

Code Subsidiary Document	Potential Impact of Proposed Modification
BSC Procedures	Requires further analysis
Codes of Practice	No impact identified
BSC Service Descriptions	ECVAA Service Description may need to be updated
Party Service Lines	No impact identified
Data Catalogues	No impact identified
Communication Requirements Documents	Would need to be updated to reflect the changed operation
Reporting Catalogue	No impact identified

7.3 Impact on Core Industry Documents

Core Industry Document	Potential Impact of Proposed Modification
Grid Code	No impact identified
MCUSA	No impact identified
Supplemental Agreements	No impact identified
Ancillary Services Agreements	No impact identified
Master Registration Agreement	No impact identified
Data Transfer Services Agreement	No impact identified
British Grid Systems Agreement	No impact identified
Use of Interconnector Agreement	No impact identified
Pooling and Settlement Agreement	No impact identified
Settlement Agreement for Scotland	No impact identified
Distribution Codes	No impact identified
Distribution Use of System Agreements	No impact identified
Distribution Connection Agreements	No impact identified

8 IMPACT ON OTHER CONFIGURABLE ITEMS

Item	Potential Impact of Proposed Modification
None identified	-

9 IMPACT ON ELEXON

Area of Business	Potential Impact of Proposed Modification
ELEXON Systems	Potential impact
ELEXON Procedures	Disputes Process is impacted to reflect the changed operation
ELEXON Contracts (Excluding BSC Agent Contracts)	Potential impact
Other (e.g. costs, staffing, etc.)	Potential impact

10 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

Potential impact

11 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

BSC Agent Contract	Potential Impact of Proposed Modification
Logica (BMRA, CRA, CDCA, SAA, ECVAA, TAA(CVA))	Changes to the boundaries may need significant rewording of the contract
EPFAL (FAA)	No impact identified
ESIS (TAA(SVA))	Potential impact
Cap Gemini (SVAA)	No impact identified
PwC (BSC Auditor, Certification Agent)	No impact identified
EASL (Teleswitch Agent, Profile Administrator)	No impact identified

12 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

ELEXON recommends that this Modification Proposal proceed to Definition Procedure to further define the issue raised.

13 ISSUES

The following issues will need to be considered and addressed in progressing the Modification Proposal.

- detailed consideration is required regarding the definition of the boundary of "ECVAA System";
- Consideration should also be given to extending the definition to address failure issues with the "Low grade facility" communications medium;
- there may be implications regarding identifying post gate closure contract notifications that may or may not be due to ECVAA system failure; and
- careful consideration is required as the proposal is for retrospective implementation. Such a change would have both system and process impacts and could effect already established liabilities.

ANNEX 1 – MODIFICATION PROPOSAL

Modification Proposal	MP No: P1 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Extension Of The Definition Of ECVAAs Systems Failure For Permitting Post Gate Closure Notification	
Submission Date <i>(mandatory by proposer):</i> 27 March 2001	
Description of Proposed Modification <i>(mandatory by proposer):</i> Failure of the ECVAAs systems currently invokes recovery procedures that allow members to make notifications after Gate Closure. This proposed modification seeks to extend the definition of the ECVAAs systems to include the High Grade Service communications medium provided by Elexon from the member to the central ECVAAs systems. This would require change to Section P 5.1.1 (b) and (c) and a possible additional clause 5.2.5. It is proposed that the modification is applied retrospectively to take effect from March 27th 2001.	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> The current recovery procedures have an inconsistent treatment in relation to a member's inability to submit contract notifications due to a failure of systems provided by Elexon, in that a central system failure is included in recovery procedures but a communications failure is not. From a member's perspective a central system failure or a communications failure would equally frustrate contract notifications. Failure to receive notifications increases potential imbalance and hence could have a significant effect on imbalance prices when in fact there were no changes in market conditions. Moreover, such inconsistent treatment implies that a member would be exposed to imbalance charges in the event of a communications failure, but would be protected from such charges through the ECVAAs recovery procedures in the event of a central system failure.	
Impact on Code <i>(optional by proposer):</i> The impact on the Code would be to require a change to Part P 5.1.1(b) and (e), and the possible insertion of a new clause at 5.2.5 as suggested in the attached.	
Impact on Core Industry Documents <i>(optional by proposer):</i> None envisaged.	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> The impact of the modification would be to include a High Grade Service failure to be one of the events which invokes the recovery procedures used in the event of an ECVAAs service failure.	
Impact on other Configurable Items <i>(optional by proposer):</i> None envisaged.	

Modification Proposal	MP No: P1 <i>(mandatory by BSCCo)</i>
<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i></p> <p>Justification for Modification:</p> <p>Depending upon the cause of the communications failure, failure to receive notifications may affect one or multiple members. A communications failure affecting a member such as a power exchange would be generally known across the industry. As a consequence, significant imbalance price changes may result. As such, neither prices nor charges would reflect changes in underlying market conditions or operational conditions. Thus, the objective of imbalance charges would be perverted.</p> <p>Where members cannot make notifications the aggregate imbalance energy quantities would be expected to rise, thereby capturing more bids and offers in the imbalance mechanism with the likely consequence of more volatile and extreme imbalance charges occurring than would otherwise attain. Where it becomes known that there is an increased requirement for balancing power, imbalance market bids and offers may respond to the imbalance market "squeeze" further exacerbating price volatility.</p> <p>Communications failure would frustrate normal operational procedures for members as, in seeking to avoid imbalance charges arising from such failure, they would be forced to adopt recovery procedures which could have a consequential adverse effect on normal business operations. ECVAA/Elexon may also be unable to cope with the support and recovery procedures implied by one, several, or all members being unable to make notifications.</p> <p>Exposure to imbalance charges arising from communications failure cannot be insured against nor can it be mitigated by the use of a telecommunications provider other than Energis.</p> <p>Applicable BSC Objectives:</p> <p>BSC Objective 4,</p> <ul style="list-style-type: none"> - promoting efficiency in the implementation and administration of the balancing and settlement objectives. <p>Transmission Licence Condition 7A(3), effectively,</p> <ul style="list-style-type: none"> - the efficient, economic and co-ordinated operation of the transmission system, - promoting effective competition in the generation and supply of electricity, - promoting efficiency in the implementation of balancing and settlement arrangements. 	
<p>Details of Proposer:</p> <p style="padding-left: 40px;">Name: Peter Cox</p> <p style="padding-left: 40px;">Organisation: OM London Exchange Ltd.</p> <p style="padding-left: 40px;">Telephone Number: 020 7815 8500</p> <p style="padding-left: 40px;">Email Address: peter.cox@omgroup.com</p>	
<p>Details of Proposer's Representative:</p> <p style="padding-left: 40px;">Name: Xavier Bruckert</p> <p style="padding-left: 40px;">Organisation: OM London Exchange Ltd.</p> <p style="padding-left: 40px;">Telephone Number: 020 7815 8552</p> <p style="padding-left: 40px;">Email Address: xavier.bruckert@omgroup.com</p>	

Modification Proposal	MP No: P1 <i>(mandatory by BSCCo)</i>
Details of Representative's Alternate:	
Name: Andrew Foster	
Organisation: OM London Exchange Ltd.	
Telephone Number: 020 7815 8529	
Email Address: andrew.foster@omgroup.com	
Attachments: YES	
If Yes, Title and No. of Pages of Each Attachment:	
Proposed redraft of Part 5 of the BSC "FAILURES OF THE ECVAA SYSTEM" (3 pages)	

Attachment**5. FAILURES OF THE ECVAA SYSTEM****5.1 Introduction**

5.1.1 For the purposes of this Section P:

(a) **"Volume Notification"** means an Energy Contract Volume Notification and/or a Metered Volume Reallocation Notification, and **"Volume Notification Agent"** means an Energy Contract Volume Notification Agent and/or a Metered Volume Reallocation Notification Agent;

(b) the **"ECVAA System "** is the BSC Agent System of the ECVAA, which for the avoidance of doubt includes any hardware or software forming part of any relevant High Grade Communications Medium;

(c) an **"ECVAA System Failure"** is a failure or breakdown of the ECVAA System which has the effect that the ECVAA is unable to receive Volume Notifications submitted to it by all or any Volume Notification Agents, and/or (as the case may be) to send within 20 minutes after such receipt confirmations of such receipt to all or any such agents;

(d) the reference in paragraph (c) to the ECVAA sending confirmations of receipt of Volume Notifications is without prejudice to the provisions of the Communications Requirements Document as to the deemed receipt of such notifications;

(e) for the avoidance of doubt, no failure or breakdown of any Party System not forming part of the ECVAA System shall be counted as an ECVAA System Failure;

(f) in relation to an ECVAA System Failure:

(i) the "**system failure time**" is the start of the ECVAA System Failure, or such earlier time as BSCCo may determine as being appropriate for the purposes described in paragraph (g) and notify to the ECVAA, Contract Trading Parties and Volume Notification Agents;

(ii) the "**resubmission deadline**" is the end of the Business Day following the day on which the ECVAA notified BSCCo (in accordance with paragraph 5.2.1(c)(i)) that the ECVAA System Failure has ended, or such earlier time (not being earlier than such failure ended) or later time as BSCCo may determine as being appropriate for the purposes described in paragraph (g) and notify to the ECVAA, Contract Trading Parties and Volume Notification Agents;

(g) the purposes referred to in paragraph (f) are to enable Contract Trading Parties and their Volume Notification Agents to take steps to put themselves, so far as is practicable, in the position as respects the submission of Volume Notifications which they would have been had the ECVAA System Failure not occurred.

5.2 Consequences of ECVAA System Failure

5.2.1 Where an ECVAA System Failure occurs:

(a) the ECVAA shall as soon as possible notify BSCCo of the failure and the time at which it started;

(b) the ECVAA and BSCCo shall each use all reasonable efforts as soon as practicable to notify all Contract Trading Parties and Volume Notification Agents of the failure and the time at which it started;

(c) as soon as practicable after the end of the ECVAA System Failure:

- (i) the ECVAA shall notify BSCCo, Contract Trading Parties and Volume Notification Agents that the failure has ended;
- (ii) BSCCo will notify Contract Trading Parties and Volume Notification Agents that Volume Notifications may be submitted or resubmitted in accordance with paragraph 5.2.2.

5.2.2 Where an ECVAA System Failure has occurred, commencing at the end of such failure, and until the resubmission deadline, Volume Notifications may be submitted or resubmitted to the ECVAA in relation to any Settlement Period for which Gate Closure falls after the system failure time and before the resubmission deadline.

5.2.3 Where an ECVAA System Failure affects the ability of the ECVAA to receive and/or confirm receipt of Volume Notifications (as described in paragraph 5.1.1(c)) from or to some but not all Volume Notification Agents:

(a) the ECVAA shall inform BSCCo which Volume Notification Agents are so affected, and references in paragraph 5.2.1 to Volume Notification Agents shall only be to those agents so affected;

(b) paragraph 5.2.2 shall apply only in relation to the affected Volume Notification Agents.

5.2.4 Any Volume Notification submitted or resubmitted in accordance with paragraph 5.2.2 shall specify the details (as provided in paragraph 2.3.2 or 3.3.2) which were or would (pursuant to commitments made before Gate Closure for any Settlement Period to which such notification relates) have been specified in such notification if it had been submitted before Gate Closure for any Settlement Period to which it relates (and if any question arises in relation to this paragraph 5.2.4, such question shall be decided by the Panel whose decision shall be final and binding on all Parties).

5.2.5 Notwithstanding the provisions of 5.2.4, in the event that an ECVAA System Failure occurs which involves the failure or breakdown of any hardware or software forming part of any relevant Communications Medium then the Panel may, in its absolute discretion, require such evidence, as it deems appropriate for the purposes of verifying the time at which any transaction that forms the subject of the Volume Notification submitted in accordance with 5.2.2 was effected.

5.2.6 For the avoidance of doubt the existence of an ECVAA System Failure which is known to BSCCo shall constitute a material doubt as referred to in Section M3.4.3(a) in relation to all Trading Parties, except (in relation to a particular Trading Party) in a case where BSCCo is aware that such Party has not appointed any of the Volume Notification Agents affected thereby.