

What stage is this document in the process?

**01** Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

## Initial Written Assessment

# P236: Compensation Claims for MVRN Parties arising from an Outage

[Section Q8 of the BSC](#) allows for a Party to claim compensation for losses incurred as a result of an Outage.

P236 seeks to amend the Q8 claims process so that where the affected BM Unit is subject to a Meter Volume Reallocation Notification, the Trading Charges and Avoidable Costs of both the Lead Party and the Subsidiary Party or Parties are considered.



ELEXON recommends:  
A 2 month Assessment Procedure



Impacts:  
**Transmission Company, Generators and Parties** who enter into percentage-based Metered Volume Reallocations with Generators

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**Attachment A:** P236 Modification Proposal form

## About this document:

This document is an Initial Written Assessment (IWA), which ELEXON will present to the Panel on 14 May 2009. The Panel will consider the recommendations and agree how to progress P236.

Further information is available in the P236 Modification Proposal which is Attachment A to this document.



### Any questions?

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# 1 Why Change?

## Introduction

Physical Notifications (PNs) are notifications sent by Parties to the Transmission Company to show the expected level of energy they will be adding to, or removing from, the Transmission System.

In the event of an Outage, Parties are unable to update their PNs. This can result in financial losses for Parties. As, if a Party cannot update its PN, and the amount of the energy they actually import or export is significantly different from their last submitted PN. They may incur Trading Charges. However, the BSC allows Parties to claim compensation for such losses. The Outage compensation claims process is detailed in section Q of the BSC and is commonly referred to as the 'Q8 Claims process'.

## What can be claimed?

Section Q states that following an outage compensation period, any Lead Party of a BM Unit (i.e. the Party registered to the BM Unit) that considers it has suffered material loss can claim. Lead Parties can claim compensation for losses incurred on:

- Trading Charges – typically this is the sum of the Imbalance costs and the Residual Cashflow Reallocation Cashflow (RCRC); and
- Avoidable Costs - costs that could be avoided if an Outage did not occur.

However, the Q8 claims process does not take into account where Lead Parties enter into a Metered Volume Reallocation Notification (MVRN).

## Metered Volume Reallocation Notifications

MVRNs allow Lead Parties to allocate a percentage of their BM Unit's energy into the Energy Account of another Trading Party. This Trading Party is known as a Subsidiary Party.

When a MVRN is in place Subsidiary Parties take responsibility for the Trading Charges associated with the Energy volumes allocated to their account, as well as any associated liabilities under the BSC, e.g. Trading Charges which include Imbalance Costs.

## The issue

As set out above, Section Q states that only a Lead Party can claim for compensation if there is an impact on their Trading Charges and Avoidable Costs. Under these rules Subsidiary Parties cannot claim.

Where a MVRN is in place, the situation is created that:

1. the Lead Party cannot claim for any Energy Volumes used in the MVRN as it has not incurred any losses; and
2. the Subsidiary Party, although incurring losses for the Metered Volumes, cannot claim as it is not registered to the respective BM unit.

P236 seeks to amend the Q8 claims process so that, where the affected BM Unit is subject to MVRNs, the Trading Charges and Avoidable Costs of both the Lead Party and the Subsidiary Party or Parties are considered.



### What is an Outage?

A period where Lead Parties cannot submit PNs or Bid-Offer data because the Transmission Company's communication services have failed or withdrawn. Section Q 1.2.1 (c)



### Outage Compensation Period

Not every Outage is eligible for compensation. Claims can only be made for an 'Outage Compensation Period'.

This is where an unplanned Outage has occurred, or National Grid has given less than 12 hours notice prior to the start of the Outage.

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### What are the Applicable BSC Objectives?

- (a) The efficient discharge by the Transmission Company of the obligations imposed upon it by the Transmission Licence
- (b) The efficient, economic and co-ordinated operation of the GB 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 of the balancing and settlement arrangements

### Proposed Solution

The P236 solution is based on the principle that the existence of a MVRN should not negatively influence the outcome of any compensation claim where a BM Unit is subject to MVRNs.

The Proposed Solution is to amend the text within Section Q8 to reflect that the Trading Charges and Avoidable Costs of both the Lead Party and the Subsidiary Party/Parties should be considered as part of the Q8 claims process.

### Support for P236

Following a recent Q8 claim by the Proposer, the Q8 Committee determined (after seeking legal advice) that Section Q8 does not appear to provide for cases where Metered Volumes are subject to MVRNs. This claim was therefore rejected.

However, the Q8 committee expressed sympathy for the case of the Proposer as they recognised that whilst it is the Subsidiary Party who is impacted, they are precluded from the claims process. The committee suggested that a Modification Proposal be raised to rectify this situation and gave their full support to the Proposer.

### Applicable BSC Objectives

The Proposer believes that this Modification would better facilitate the Applicable BSC Objectives (c) and (d) respectively as:

- The current BSC drafting does not give equitable treatment to those BSC Parties using MVRNs and those that do not, and precludes impacted Parties from the Q8 claims process. Amending the BSC so that all Parties are treated equally in the event of an Outage would promote effective competition; and
- Clarifying the Q8 claims and compensation processes would make the process more transparent and therefore promote the effective implementation and administration of the Balancing and Settlement arrangements.



### Modification Group Terms of Reference

Standard Terms of Reference for the SSMG can be found on at the [SSMG webpage](#).

### Modification Group membership

ELEXON believes that the P236 Modification Group should be formed from members of the Settlements Standing Modification Group (SSMG), and industry members with expertise in the Q8 claims process.

We recommend that the areas for consideration raised by this IWA should form the basis of the Modification Group Terms of Reference, along with any additional areas proposed by the Panel.

### Terms of Reference

The Group will need to consider the following areas in relation to a revised Q8 Claims process:

Ref	
1	Whether a Joint Claims process is required (i.e. both the Lead Party and the Subsidiary Party submit a single joint claim or whether a single separate claims could be supported).
2	Whether the current BSC claims timescales are sufficient if both the Lead and Subsidiary Party are involved in the claims process.
3	How the compensation arrangements will work: <ul style="list-style-type: none"> <li>Does the Lead Party receive the total compensation amount?</li> <li>Does the Q8 committee use its discretion in working out a compensation arrangement? or</li> <li>As requested in the claim form?</li> </ul>
4	Would the lack of unanimous support between the Lead Party and Subsidiary Party (or Parties) make a claim invalid?
5	Whether the current definition of Avoidable Costs is sufficient for the for the Q8 claims process.
6	The benefits and drawbacks of P236.
7	Whether an Alternative Modification is required.

### Timetable and costs

Estimated progression costs based on proposed timetable	
Meeting costs (including Modification Group member expenses)	£1,500 (3 meetings)
Non-ELEXON legal and expert costs	nil
Service Provider impact assessment costs	nil
ELEXON resource	£ 16,430 equating 50 man days

As the areas for consideration are well defined, BSCCo recommends a 2 month Assessment Procedure for P236. This time will be used to further consider and consult upon the areas raised in this IWA.

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We estimate that progression of P236 will require:

- 3 Modification Group meetings;
- 1 ELEXON impact assessment;
- 1 joint industry consultation and impact assessment by BSC Agents, Parties and Party Agents; and
- 1 request for Transmission Company analysis.

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## Timetable

ID	Task Name	Duration	Start	Finish	09																			
					18 May '09				01 Jun '09				15 Jun '09				29 Jun '09				13 Jul '09			
					10	14	18	22	26	30	03	07	11	15	19	23	27	01	05	09	13	17		
1	MVA presented to Panel	1 day	Thu 14/05/09	Thu 14/05/09																				
2	MG meeting 1	1 day	Mon 18/05/09	Mon 18/05/09																				
3	Draft Requirements Specification and Consultation	6 days	Tue 19/05/09	Tue 26/05/09																				
4	Start drafting Legal text	6 days	Tue 19/05/09	Tue 26/05/09																				
5	MG meeting 2	1 day	Wed 27/05/09	Wed 27/05/09																				
6	Group review Requirements Specification and Consultation	3 days	Wed 27/05/09	Fri 29/05/09																				
7	Update Requirements Specification and Legal text	1 day	Mon 01/06/09	Mon 01/06/09																				
8	Conduct Impact Assessment and Consultation	11 days	Tue 02/06/09	Tue 16/06/09																				
9	Collate responses and forward onto Group	1 day	Wed 17/06/09	Wed 17/06/09																				
10	MG Meeting 3	1 day	Thu 18/06/09	Thu 18/06/09																				
11	Update Legal text	2 days	Fri 19/06/09	Mon 22/06/09																				
12	Draft Assessment Report	3 days	Fri 19/06/09	Tue 23/06/09																				
13	Group to review Assessment Report	3 days	Wed 24/06/09	Fri 26/06/09																				
14	Update Assessment Report	1 day	Mon 29/06/09	Mon 29/06/09																				
15	Internal Paper day	0 days	Wed 01/07/09	Wed 01/07/09																				
16	External Paper day	0 days	Fri 03/07/09	Fri 03/07/09																				
17	Assessment Report presented to Panel	0 days	Thu 09/07/09	Thu 09/07/09																				

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## 4 Likely Impacts

Impact on BSC Systems and process	
BSC System/Process	Potential impact
None	None

Impact on BSC Agent/service provider contractual arrangements	
BSC Agent/service provider contract	Potential impact
None	None

**Impact on BSC Parties and Party Agents**

Both Lead Parties (Generators) and Subsidiary Parties will be required to familiarise themselves with the revised claims process. Both these Parties will be able to submit claims in an event of an Outage.

**Impact on Transmission Company**

The Transmission Company will be required to compensate both Lead and Subsidiary Parties in the event a claim is made.

Impact on ELEXON	
Area of ELEXON's business	Potential impact
Change Implementation	Update to the BSC and potentially the creation of a new BSC Procedure.
Stakeholder Assurance	Update internal working procedures in order to effectively manage the new claims process.

Impact on Code	
Code section	Potential impact
Section G	The definition of Avoidable Costs may require amendment to specifically reflect the circumstances of an Unplanned Outage, and that Parties other than the Lead Party may have incurred them.
Section Q	This section will require amendment to reflect that both a Lead Party and/or a Subsidiary Party can submit a compensation for an unplanned Outage.

Impact on Code Subsidiary Documents	
CSD	Potential impact
None	None

### P236 impacts

This Modification Proposal is not expected to impact BSC Systems or Code Subsidiary Documents (unless the Modification Group considers that a new BSC Procedure is required for Q8 claims).

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### Impact on Core Industry Documents and other documents

Document	Potential impact
Ancillary Services Agreements	None
Connection and Use of System Code	None
Data Transfer Services Agreement	None
Distribution Code	None
Distribution Connection and Use of System Agreement	None
Grid Code	None
Master Registration Agreement	None
Supplemental Agreements	None
System Operator-Transmission Owner Code	None
Transmission Licence	None
Use of Interconnector Agreement	None

### Impact on other Configurable Items

Configurable Item	Potential impact
None	None

### Other Impacts

Item impacted	Potential impact
None	None



## 5 Recommendations

On the basis of this initial written assessment, ELEXON invites the Panel to:

- DETERMINE that Modification Proposal P236 progresses to the Assessment Procedure;
- AGREE the Assessment Procedure timetable of 2 months, where an Assessment Report should be completed and submitted to the Panel at its meeting in July 2009;
- DETERMINE that the P236 Modification Group should be formed from members of the Settlements Standing Modification Group and industry members with expertise in the Q8 claims process; and
- AGREE the Modification Group's Terms of Reference.

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### Assessment Length

BSCCo recommends an Assessment Procedure of 2 months

## 6 Further Information

### Attachment A: P236 Modification Proposal form

More information is included in the P236 Modification Proposal form, which is included as Attachment A to this document.

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