

Draft MODIFICATION REPORT for Urgent Modification Proposal P210

'Revisions to the Text in Section P related to Single Notifications of Energy Contract Volumes and Metered Volume Reallocations'

Prepared by: ELEXON¹ on behalf of the BSC Panel

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.²

Proposed Modification P210 seeks to revise or clarify the Code text in relation to the process of single notification for the purposes of removing the potential for misinterpretation and to ensure that established conventions and practices (and the efficiencies associated with those) are maintained. The Proposal would ensure that the text relating to the notifications processes in Section P of the Code is unambiguous and in accordance with existing conventions, general understanding, industry practice and the Energy Contract Volume Allocation Agent (ECVAA) Service Description. If approved, the Proposed Modification would be implemented on the date on which P210 was raised (5 February 2007).

Alternative Modification P210 is identical to the Proposed Modification but would have an Implementation Date of 1 day after the Authority's decision

BSC PANEL'S RECOMMENDATIONS

Having considered and taken into due account the contents of the P210 draft Modification Report, the BSC Panel recommends:

- **that Proposed Modification P210 should not be made;**
- **that Alternative Modification P210 should be made;**
- **an Implementation Date for Proposed Modification P210 of 5 February 2007;**
- **an Implementation Date for Alternative Modification P210 of 1WD following an Authority decision;**
- **the proposed text for modifying the Code, as set out in the Modification Report; and**
- **note BSCP71 changes that have been approved that are contingent on P210 being made.**

¹ ELEXON Ltd fulfils the role of the Balancing and Settlement Code Company ('BSCCo').

² The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the Modification Group has been able to assess, the following parties/documents would be impacted by P210.

Please note that this table represents a summary of the full impact assessment results contained in the Urgent Modification Consultation (See Appendix 3).

Parties	Sections of the BSC	Code Subsidiary Documents
Distribution System Operators <input type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input checked="" type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Interconnectors <input type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input type="checkbox"/>
Licence Exemptable Generators <input checked="" type="checkbox"/>	D <input type="checkbox"/>	Party Service Lines <input type="checkbox"/>
Non-Physical Traders <input checked="" type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input type="checkbox"/>
Suppliers <input checked="" type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
Transmission Company <input type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
Party Agents		
Data Aggregators <input type="checkbox"/>	H <input type="checkbox"/>	Core Industry Documents
Data Collectors <input type="checkbox"/>	I <input type="checkbox"/>	Ancillary Services Agreement <input type="checkbox"/>
Meter Administrators <input type="checkbox"/>	J <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
Meter Operator Agents <input type="checkbox"/>	K <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
ECVNA <input checked="" type="checkbox"/>	L <input type="checkbox"/>	Distribution Code <input type="checkbox"/>
MVRNA <input checked="" type="checkbox"/>	M <input type="checkbox"/>	Distribution Connection and Use of System Agreement <input type="checkbox"/>
BSC Agents		
SAA <input type="checkbox"/>	N <input type="checkbox"/>	Grid Code <input type="checkbox"/>
FAA <input type="checkbox"/>	O <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	P <input checked="" type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
ECVAA <input checked="" type="checkbox"/>	Q <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
CDCA <input type="checkbox"/>	R <input type="checkbox"/>	BSCCo
TAA <input type="checkbox"/>	S <input type="checkbox"/>	Internal Working Procedures <input type="checkbox"/>
CRA <input type="checkbox"/>	T <input type="checkbox"/>	BSC Panel/Panel Committees
SVAA <input type="checkbox"/>	U <input type="checkbox"/>	Working Practices <input checked="" type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	V <input type="checkbox"/>	Other
BSC Auditor <input type="checkbox"/>	W <input type="checkbox"/>	Market Index Data Provider <input type="checkbox"/>
Profile Administrator <input type="checkbox"/>	X <input checked="" type="checkbox"/>	Market Index Definition Statement <input type="checkbox"/>
Certification Agent <input type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
Other Agents		
Supplier Meter Registration Agent <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
Unmetered Supplies Operator <input type="checkbox"/>		
Data Transfer Service Provider <input type="checkbox"/>		

1 DESCRIPTION OF MODIFICATION

This section outlines the solution for the Proposed Modification and Alternative Modification, as developed by the P210 Modification Group (‘the Group’) during the Urgent Modification Procedure.

For a full description of the original Modification Proposal as submitted by The Panel (‘the Proposer’), and the background to the proposal, please refer to the P210 Urgent Modification Consultation document referenced in Appendix 3³. It should be noted that the Proposed and Alternative Modifications have been reversed in this Modification Report when compared to the Urgent Modification Consultation.

The assessment of the Proposed Modification has highlighted other areas where there may be ambiguity or anomaly in the Code or inconsistency between the Code and the ECVAA systems, existing conventions and/or industry practice. These areas are identified in Section 2 and it is proposed that these are taken forward as a Standing Issue or in a separate modification as they either do not fall into scope of this modification or it would be impractical to develop appropriate solutions and consult on these within the Urgent timescales of P210.

1.1 Proposed Modification

This Proposal seeks to revise or clarify the Code text in relation to the process of single notification for the purposes of removing the potential for misinterpretation and to ensure that established conventions and practices (and the efficiencies associated with those) are maintained. The Proposal would ensure that the text relating to the notifications processes in Section P of the Code is unambiguous and in accordance with existing conventions, general understanding, industry practice and the Energy Contract Volume Allocation Agent (ECVAA) Service Description.

There are six areas relating to Energy Contract Volume and Metered Volume Reallocation processes in Section P that have been identified as requiring revision or clarification, or are currently open to potential misinterpretation, that this Proposal seeks to rectify. These are:

1. Effect of an overwrite notification on Settlement Days beyond its Effective To Date;
2. Part day overwrites of notifications;
3. Business validation of notifications;
4. Requests from Parties and Agents not to receive notification of validation failures;
5. Refusal and rejection of notifications for credit reasons; and
6. An erroneous cross-reference.

A description of each area can be found in the P210 Urgent Modification Consultation Document.

The Group agreed at its first meeting that the solution to P210 should include changes to BSCP71. These changes would be to add detail of:

- The process for the submission of notifications;
- The requirements for a valid notification;
- How to specify and “overwrite notification” to fully implement the provisions of the Code; and
- The processing rules for notification for Credit Default reasons.

After the consultation, some minor amendments to BSCP71 were agreed at the second Modification Group meeting and these are detailed in Section 2.3.2. The Group unanimously believe that the proposed changes to

³ The Urgent Modification Consultation document is also available on the ELEXON website at:
<http://www.elexon.co.uk/changeimplementation/ModificationProcess/ModificationDocumentation/modProposalView.aspx?propID=230>

BSCP71 will assist in better facilitating the Applicable BSC Objectives. The changes to BSCP71 can be found in Attachment 2.

At its second meeting, following consideration of the responses to the consultation and draft legal text, the Group agreed a few minor revisions to the draft legal text. These do not change the scope of the modification but are believed to be necessary. They are:

- a) Removal of reference to two data items in P3.3.2 of the Code. This is detailed further in section 2.3.4 of this report;
- b) Removal of the words 'that it is to' that were not marked as struck out of 2.3.5 of the draft legal text; and
- c) Correct the cross-references in 2.3.9 that were erroneously amended in the draft legal text.
- d) The addition of a full stop to section 3.3.9 that was erroneously deleted in the draft legal text;

The Proposed Modification would have an Implementation Date of 5 February 2007⁴ which is the date that P210 was raised. The required changes to BSCP71 would also have this historic Implementation Date.

1.2 Alternative Modification

The Alternative Modification is identical to the Proposed Modification except that the Alternative specifies an Implementation Date of 1 Working Day after an Authority Decision. The required changes to BSCP71 would also have this Implementation Date.

2 AREAS RAISED BY THE TERMS OF REFERENCE

2.1 First Modification Group Meeting

The following areas were considered by the Modification Group during the Assessment Procedure for P210:

- How ECVNs and MVRNs are overwritten;
- Part-day overwrites;
- Validation;
- Requests not to receive notification of validation failures;
- Rejection and refusal of notifications for credit default reasons;
- Cross referencing error;
- Changes to Code Subsidiary Documents; and
- Implementation Date.

The issues above were discussed at the first meeting of the Group and these discussions are documented in the Urgent Modification Consultation document referenced in Appendix 3.

⁴ Note that this is a reversal of the Proposed and Alternative Modifications described in the Urgent Modification Consultation.

2.2 Results of Urgent Modification Consultation

9 responses (representing 50 Parties and 1 non-Party) were received to the P210 Urgent Modification consultation. One late response (representing 5 BSC Parties) was received and considered by the Modification Group.

5 responses (representing 25 Parties and 1 non-Parties) were received to the Urgent Consultation - Red-line Changes to BSCP71 'ECVNA and MVRNA Registration, Authorisation and Termination'. One late response (representing 5 BSC Parties) was received and considered by the Modification Group.

A summary of the P210 Urgent Modification consultation responses is provided in the table below (bracketed numbers represent the number of Parties and non-Parties represented by respondents).

Q	Consultation question	Yes	No	Neutral
1.	Do you agree that the Code has potential for misinterpretation with regard to the single notification process, and therefore should be revised?	9(55 + 0)	0	1 (0 + 1)
2.	Do you agree that the basis for any revisions to the single notification process should be established conventions and practices?	8(54 + 0)	0	2 (1 + 1)
3.	Effect of overwrite notifications on Settlement Days beyond its Effective To Date Do you agree that the Code should be amended to unambiguously reflect that a replacement notification should overwrite the previous notification for all Settlement Periods on all Settlement Days from the Effective From Date of the replacement notification (as is current practice)?	9(55 + 0)	0	1 (0 + 1)
4.	Part day overwrites of notifications Do you agree that the Code should be amended to unambiguously reflect that a replacement notification should always overwrite the entire previous notification for the Settlement Day (subject to Gate Closure) and that any Settlement Periods omitted in the replacement notification will be considered to be withdrawn and a MWh value of zero be applied (as is current practice)?	9(55 + 0)	0	1 (0 + 1)
5.	Business validation of notifications Do you agree that the Code should be amended to reflect that the Energy Contract Volume Allocation Agent (ECVAA) systems should reject an entire notification if any one Settlement Period fails validation (as is current practice)?	9(55 + 0)	0	1 (0 + 1)
6.	Notification of validation failures Do you agree that the Code should be amended to reflect that the ECVAA should not be required to provide information on validation ('Notification Feedback') to a participant who has opted out of receiving Notification Feedback?	8(48 + 0)	0	2 (7 + 1)
7.	Refusal and rejection of notifications for			

Q	Consultation question	Yes	No	Neutral
	<p>credit reasons</p> <p>Do you agree that the Code should be amended to reflect that, if a Party is in Level 2 Credit Default, the ECVAA systems should:</p> <ul style="list-style-type: none"> • Only reject individual Settlement Periods of a notification if that Settlement Period value has the effect of increasing the indebtedness of the Party (as is current practice)? • Refuse the entire notification if any one Settlement Period has the effect of increasing indebtedness (as is current practice)? • Not refuse a whole notification or reject an individual Settlement Period of a notification if one Settlement Period does not decrease indebtedness i.e. the ECVAA systems should not reject or refuse when a Settlement Period has a neutral effect on indebtedness (as is current practice)? 	8 (54 + 0)	0	2 (1 + 1)
		7 (53 + 0)	1	2 (1 + 1)
		8 (54 + 0)	0	2 (1 + 1)

Q	Consultation question	Yes	No	Neutral
8.	Cross Referencing for MVRNs Do you agree that the cross reference in P3.3.2(a)(vii) is incorrect and should refer to paragraph 3.6.1 and not 3.5.1?	9 (55 + 0)	0	1 (0 + 1)
9.	Do you believe Proposed Modification P210 (i.e. the Modification be implemented on the next working day following an Authority direction to make the Modification) better facilitates the achievement of the Applicable BSC Objectives than the current baseline?	9 (55 + 0)	0	1 (0 + 1)
10.	Do you believe Alternative Modification P210 (i.e. the Modification be implemented with effect from the date it was raised – 5 February 2007) better facilitates the achievement of the Applicable BSC Objectives than the current baseline?	7 (25 + 0)	2 (20 + 0)	1 (0 + 1)
11.	Do you believe Alternative Modification P210 better facilitates the achievement of the Applicable BSC Objectives than Proposed Modification P210 ?	5 (24 + 0)	4 (31 + 0)	1 (0 + 1)
12.	Do you agree with the Modification Group's recommendation concerning the Implementation Date for: P210 Proposed? P210 Alternative?	9 (55 + 0) 6 (29 + 0)	0 3 (26 + 0)	1 (0 + 1) 1 (0 + 1)
13.	Do you agree with the Modification Group's recommendation to include the addition of supporting information relating to the submission and processing of notifications into BSCP71?	13 (55 + 0)	0	1 (0 + 1)
14.	Do you agree with the Modification Group's recommendation that the identified changes to BSCP71 should be implemented on the P210 Implementation Date?	9 (55 + 0)	0	1 (0 + 1)
15.	Notwithstanding the Modification Group's view that the changes to BSCP71 should be implemented on the P210 Implementation Date, do you agree that the BSC changes themselves provide an unambiguous statement of how single notifications will be processed?	7 ⁵ (42 + 0)	1 (7 + 1)	2 (6 + 1)
16.	Do you agree with the Modification Group's view that the BSC changes that have been provided correctly and fully addresses the issue or defect identified in the Modification Proposal?	9 ⁶ (55 + 0)	0	1 (0 + 1)
17.	What would be the impacts on your business were P210 not approved?	-	-	-

⁵ The respondent gave a Yes/No response based on the fact that they had not fully reviewed all aspects on the changes.

⁶ The respondent gave a Yes/No response based on the fact that they had not fully reviewed all aspects on the changes.

The Urgent Modification Consultation responses contained the following additional arguments not identified in the Urgent Modification Consultation document:

- Established convention should not be the basis of all regulation but in this instance it provides for an efficient and pragmatic approach to maintain the integrity of the Code, convention and practices;
- No benefit gained from moving away from current conventions. It would be unnecessarily costly, inefficient and detrimental to competition to require a change to systems and processes;
- Clarity and certainty engenders increased confidence in market stability and thus increases competition. This is highlighted by one respondent who states that the current system operation is not in line with their interpretation of the overwrite process.
- Potential for costly legal challenges if the Code is not clear and there is a mismatch between the Code and systems.
- One respondent felt it should be made clear in BSCP71 the difference between part day overwrites and full day overwrites;
- One respondent disagreed that a change was required in respect of amending the Code to reflect that ECVAAs should not be required to provide information on validation to a participant who has opted out of this. The respondents view was that only completely valid (but not necessarily matched) notifications can make it to the point at which notification feedback is provided.
- One respondent disagreed with the concept of refusing an entire notification if any one Settlement Period has the effect of increasing indebtedness. This is because a Party may be able to reduce their indebtedness by moving volume from a period in which they are long to one in which they are short. However, P210 would not allow this. The respondent believed that this is counter to the BSC Objectives as it might force a Party to take an unbalanced position in to cash out. Another respondent was also concerned about the ability to trade out of Level 2 Credit Default but recognised that this is an area that may need to be addressed in a future modification to the Code.
- The following points were made in support of an historic Implementation Date:
 - Brings forward the cut-off date for raising disputes thus further reducing ambiguity and operational costs;
 - It would be a pragmatic approach to ensure that the risk of exploitation is minimised; and
 - This issue has been clearly flagged as potentially having a historic implementation date plus has the potential to be material and therefore meets the Authority criteria.
- The following points were made in opposition to an historic Implementation Date:
 - A case for retrospection has not been made;
 - The benefits of the proposal are outweighed by the uncertainty inherent in retrospective implementations;
 - Undermines the certainty of confidence in the market rules a Party is currently trading against. Thus Parties may be less inclined to participate fully and this is detrimental to competition; and
 - It is difficult to see how Parties would manipulate the current situation to their advantage within the short time between the historic implementation Date and a likely Authority decision
- Respondents provided the following impacts on their business were P210 not to be approved:

- Need to undertake a review of current systems and processes which would be costly and burdensome;
- Need to change systems to match Central systems;
- Share of the costs to Central systems passed on to Market Participants;
- Continue under individual interpretation of the rules. (Could lead to disputes in future);
- Concern with regard to potential exploitation of the ambiguities;
- Hard to assess without knowing changes to Central systems – Initial estimate of one respondent of £50,000 of development and testing work; and
- Would not change current behaviour. (Note that this was clarified by the respondent who indicated that they would not need to make any changes until changes to Central systems necessitated these).

Full copies of the P210 consultation responses can be found in Appendix 4.

A summary of the P210 Urgent Consultation - Red-line Changes to BSCP71 consultation responses is provided in the table below (bracketed numbers represent the number of Parties and non-Parties represented by respondents).

Q	Consultation question	Yes	No	Neutral
1.	Do you agree with the changes to BSCP71?	5 (30 + 0)	0	1 (0 + 1)
2.	Do you believe the changes reflect the requirements of the modification as detailed in the P210 Urgent Consultation document?	5 (30 + 0)	0	1 (1 + 1)
3.	Do you have any review comments?	1 (5 + 0)	5 (25 + 1)	0
4.	Do you support this BSCP being implemented concurrently with Proposed Modification P210 as preferred by the Modification Group?	5 (30 + 0)	0	1 (0 + 1)

There was general emphasis of the importance to change BSCP71 concurrently with P210. On respondent agreed in principle with questions 1, 2 and 4 but stated they would have preferred a separate BSCP and noted that they accepted the implementation of the BSCP changes concurrent with P210 implementation but not necessarily 'at any cost' the same respondent offered a number of useful comments on the content of the BSCP.

Full copies of the P210 Urgent Consultation - Red-line Changes to BSCP71 consultation responses can be found in Appendix 4.

2.3 Second Modification Meeting

At its second meeting, and based on the consultation responses, the Modification Group also discussed:

- Further comments on requests not to receive notification of validation failures;
- Additional changes to BSCP 71;
- Costs associated with having to amend systems to meet the current Code baseline;
- Content of an MVRN;

- Rules surrounding Overwriting a Different Agent's Notification;
- Timing of Rejection and Refusal;
- Negative CALF values;
- Further comments on the Credit default provisions and Rejection and Refusal of overwrites; and
- Amendments to the draft legal text associated with the consultation responses.

2.3.1 Further comments on requests not to receive notification of validation failures

The Group discussed a comment from a respondent who disagreed that a change was required to reflect that the ECVAA should not be required to provide information on validation to a participant who has opted out of receiving this. The Group agreed that it needs to be highlighted that the specific Feedback Reports to which this part of the Proposal relates to is the ECVN feedback (ECVAA I009) and MVRN feedback (ECVAA-I010). Thus if a notification Agent uses the process in 3.12 of BSCP71 to indicate that they do not require Feedback Reports (ECVAA I009 and ECVAA-I010), they will lose the right to resubmit notifications if Feedback Reports are not received (in accordance with sections P2.3.11 and P3.3.11 of the BSC as amended by P210). The Group thus disagreed that any change should be made.

2.3.2 Additional Changes to BSCP 71

At its second meeting, the Modification Group discussed the comments on redline changes to BSCP71 that were provided following consultation. Whilst the Group noted that seven out of ten (with two neutral) respondents agreed that the changes to the BSC changes themselves provide an unambiguous statement of how single notifications will be processed, they felt that additional changes to BSCP71 would be beneficial. The Group agreed:

- To note one respondents view that it should be made clear in BSCP71 the difference between part day and full day overwrites. The Group were satisfied that BSCP71 describes the overwrite process as required.
- To introduce subheadings into 4.17 as follows:
 - 4.17.1 Refusal of Entire Notifications
 - 4.17.2 Rejection of Notifications in Respect of a Settlement Period

This has been included in the BSCP71 changes;

- To update footnote 21 (page 38) to include a reference to BSCP41 (which allows participants to control which flows they receive) as follows:
 - ECVNAs, MVRNAs and Contract Trading Parties may specify their feedback reporting requirements in accordance with Section 3.12 Report Requirement Change Request and BSCP41 ('Report Requests and Authorisation')

This has been included in the BSCP71 changes;

- To add a step to 3.15 for the sending of ACKs/NACKs by ECVAA. This would provide beneficial additional information and has been included in the BSCP71 changes;
- To clarify, in step 3.15.4, what happens if ECVAA does not meet the requirement to send rejection feedback within 20 minutes. The Group agreed to add a footnote that states "In the event that ECVAA does not send rejection feedback within twenty minutes, the ECVNA/MVRNA may be entitled to resubmit the notification in accordance with paragraphs P2.3.10 and P3.3.10 of the BSC". This has been included in the changes to BSCP71;

- To amend the 'When' column of step 3.15.5 to state "After the end of each Settlement Day". This is because the ECVAA-I014 Notification Report is sent for all Settlement Days at a fixed time and not following receipt of an ECVN/ MVRN. Indeed an ECVAA-I014 report will be sent if a participant is registered for a particular Settlement Day but does not have any ECVNs/ MVRNs submitted for this Settlement Day. The wording of "When" for step 3.15.5 did not appear to reflect this;
- That it should be made clear in the 'Action' column of 3.15.6 that a forward contract report will only be issued if requested. It was noted that empty ECVAA-I022s are sent if a Party is registered for a particular Settlement Day but does not have any ECVNs/ MVRNs in place for that Settlement Day. The Group also agreed to include a footnote to clarify that a null report will be sent even if no notifications have been made;
- To change section 4.16.3, as the first bullet point reference is made to "from the Effective From Date and Settlement Period" whereas under the current baseline it would be better to say just "from the Effective From Date";
- To amend the text in 4.17 as it needs to reflect the fact that the ECVAA also checks that the notification ETD is not before the notification EFD;
- The Group agreed to clarify a footnote to 3.15.3 to make it clear that Acceptance Feedback Reports are issued for notifications which are effective within 72 periods of loading;
- The Group also agreed to include additions to the introduction to reflect the changes made to the detail of BSCP71; and
- Further areas were also addressed under the Timing of Level 2 Credit Default discussed under section 2.1.5 below.

Subject to the above changes, the Group agreed that the BSCP71 changes reflected the requirements detailed in the Urgent Modification Consultation.

Additionally the Group discussed the following two points but no further amendment to the BSCP has been made:

- To retain ECVAA from the list of main users of the BSCP (section 1.2), because it is the Service Description rather than the BSCP that defines what ECVAA does. BSCCo recommended to remove this reference however the Group decided that this was not required as they felt that the BSC Agent should have to make reference to the BSCP; and
- It might benefit the BSCP to include diagrams (showing MWh notification profiles) into 4.16.2 and 4.16.3 to illustrate the difference between addition and replacement notifications. The Group agreed that this would be nice to have however, BSCCo confirmed it did not have time to progress these within the Urgent Modification timescales. BSCCo had only 1 working day between the Modification Group meeting and the publication of the draft Modification Report and its associated legal text and other BSCP71 changes. This may be able to be included in the guidance note.

Full copies of the P210 Urgent Consultation - Red-line Changes to BSCP71 consultation responses can be found in Appendix 4.

2.3.3 Costs associated with having to amend systems to meet the current Code baseline

As P210 would ensure that established conventions and practices are maintained, there would be no changes required to Central and/or Party systems. Should the current Code baseline remain then there will need to be changes to those systems to be able to either accommodate other potential Code interpretations and/or change existing conventions.

Whilst not the subject of this Modification proposal, the ECVAA has provided a detailed impact assessment of the work required to make the systems compliant with a contrary interpretation of the current Code baseline

in relation to the specific defects outlined in the Modification Proposal. This amounts to a substantial amount of change, development and testing which the ECVAAs has estimated that this would cost £1,019,525 +/- 25% (excluding VAT) and would take 38 weeks to implement. This emphasises the high cost to change the Central systems of moving away from current practices. The full ECVAAs impact assessment can be found in Attachment 3.

Additionally, the results of the industry consultation indicate that Market Participants would need to review their current systems and processes which would also likely to be costly and burdensome and would introduce a significant level of risk to Participants' business processes and, possibly, to Settlement. One respondent indicated that an initial estimate of this cost would be approximately £50,000. The Group noted that some respondents indicated that there would be no change required. A member clarified that this is a rational response because Market Participants would not change their systems until there was a change to Central systems in which they had to build compatible functionality. The Group agreed that there is likely to be some significant change required by Market Participants at some point if P210 is not implemented to ensure they are not in breach and to be able to accommodate the substantial changes to the Central systems.

2.3.4 Content of an MVRN

BSCCo identified a further area in which there is inconsistency between the Code and current practice. This relates to the content of an MVRN. Currently, P3.3.2 lists data items than an MVRN must specify, including:

1. The MVRN Authorisation (which implicitly identifies the Subsidiary Energy Account as well);
2. The BM unit to which it relates;
3. The Lead and Subsidiary Parties; and
4. The MVRNA.

The current file format used by the ECVAAs systems does not allow for the BM unit and Lead and Subsidiary Parties (2 and 3 above) to be specified. Instead, the ECVAAs systems can deduce this from the MVRNA Authorisation (1 above) as it does for the Subsidiary Energy account.

The Group decided that this defect fell within the scope of P210 as the change is only a minor clarification to change the Code to reflect that the systems can implicitly identify the BM unit and the Lead and Subsidiary Parties and this does not need to be explicitly specified in the MVRN. This will ensure there is consistency between the Code and the systems.

2.3.5 Rules surrounding overwriting a different Agent's notification

BSCCo identified a further area in which there is inconsistency between the Code and current practice. Under P2.2.5 and P3.2.5, data submitted by an Agent can be overwritten by a different Agent provided that an Authorisation is submitted for the new Agent which states that it is to replace the first Agent's Authorisation. The submission of this new Authorisation automatically terminates the first Agent's Authorisation.

The ECVAAs system does not currently have provisions for an Authorisation submitted for one Agent to terminate another Agent's Authorisation. The systems allow data submitted under a terminated Authorisation to be overwritten by any Agent with a valid Authorisation for those accounts. Thus there is no requirement that the second Agent's Authorisation stated that it replaced the first Agent's Authorisation.

The Group decided that this defect did not fall within the scope of P210 as this issue does not fit comfortably within the defect described within the Modification Proposal. The Group agreed that this issue should form part of a Standing Issue and/or a potential future modification. Additionally, it was also felt that this is an area of the Code that is infrequently used and therefore has a low risk of exploitation.

2.3.6 Timing of Rejection and Refusal

The Group discussed comments arising from discussions between BSCCo and a Group member regarding the fact that the ECVAA systems will currently 'reject' (where the criteria has been met for doing so) three Settlement periods before Gate Closure. In each half hour ECVAA systems runs a credit check that:

- Calculates Credit Cover Percentage for the period j which has just passed Gate closure; and
- Carries out rejection process for period $j+3$.

The Group believed the reason for the three trading periods notice before Gate Closure was to allow for Parties who had a contract with a Party who has had notifications rejected a chance to trade before Gate Closure to ensure they could balance their contract positions.

The Code does not currently provide any detail on the required timing of refusal and rejection. Thus the Group discussed whether there was potential for the timing used by the ECVAA systems to allow for a rejected notification to be resubmitted after the rejection process. However, the Group agreed that this was not an issue because:

- If the Party is still in Level 2 Credit Default, the resubmitted notification would be refused; and
- If the Party isn't in Level 2 Credit Default, the resubmitted notification could enter Settlement and it cannot be shown that this is inconsistent with the current Code baseline.

The Group therefore agreed that there should not be changes made to P210 in relation to the timing of rejection and refusal. The Group did note that it would be useful to clarify exactly when the Refusal Period ends and the fact that rejection takes place before Gate Closure. The Group agreed that this information could be added to a guidance note and that BSCCo should take this forward.

2.3.7 Negative CALF

BSCCo noted a further issue to the Group regarding Credit Assessment Load Factors (CALF), which are used to assess the credit of a BM Unit. The ECVAA systems assess whether a percentage MVRN increases or decreases indebtedness based on the Production/ Consumption status of the BM Unit:

- For a Production BM Unit, the MVRN is assumed to increase the indebtedness of the Lead Party (and reduce the Energy Indebtedness of the Subsidiary Party); and
- For a Consumption BM Unit, the MVRN is assumed to decrease the indebtedness of the Lead Party (and increase the Energy Indebtedness of the Subsidiary Party).

Provided that the CALF value is positive then these assumptions used by the ECVAA systems accurately reflect the impact of the MVRN on Credit Assessment Energy Indebtedness (CEI).

If the CALF value is negative however (e.g. where a Production BM Unit is consuming) then the system will refuse and reject MVRNs that actually decrease indebtedness. This is not believed to be the intent of the Code.

The Group noted that the issue is one that needs to be addressed but did not believe it fell within the scope of P210. The Group agreed that it was important that this be addressed in a Standing Issue or further modification.

2.3.8 Rejection and Refusal of overwrites

BSCCo highlighted to the Group a further anomaly with the systems in relation to Parties being in Level 2 Credit Default. BSCCo noted an example to demonstrate the issue. If a notification to sell 100 MWh of energy is made by a Party in Level 2 Credit Default, it is liable to be refused or rejected on the basis that it increases indebtedness. However, if that notification is overwriting a previous sale of 200 MWh, then this would decrease energy indebtedness from 200MWh to 100MWh and it might be argued that this should not

be refused / rejected. The ECVAA systems will however only consider whether each Settlement Period of a notification is a buy or a sell and will refuse/ reject on that basis.

In summary, the refusal / rejection process in ECVAA does not take account of what a notification is overwriting.

The Group discussed this issue at length. It was concluded that there is risk involved in not changing the Code to match the systems. It was noted to the Group that two respondents made comments on how the system should behave in relation to Level 2 Credit Default and it was discussed with both respondents that this could be addressed in a subsequent or different Modification. The Group noted that a change to the draft legal text at this stage in the urgent Modification process to fully reflect what the systems do, could not be easily justified as it extends the scope of this Modification, may be subject to disagreement from Parties and might potentially jeopardise whether P210 can be shown to better facilitate the Applicable BSC Objectives as this issue was not initially consulted upon.

The Group agreed that this should be addressed as a new Standing Issue or in a further Modification.

2.3.9 Further amendments to the draft legal text

The Group agreed the minor amendments to the draft legal text as detailed in section 4.4.

3 IMPLEMENTATION APPROACH AND COSTS

3.1 Proposed Modification

PROPOSED MODIFICATION IMPLEMENTATION COSTS⁷

		Stand Alone Cost	Incremental Cost	Tolerance
Total Demand Led Implementation Cost		NIL	NIL	n/a
ELEXON Implementation Resource Cost		2 man days £480	NIL	+/- 25%
Total Implementation Cost		£480	NIL	+/- 25%

PROPOSED MODIFICATION ONGOING SUPPORT AND MAINTENANCE COSTS

		Stand Alone Cost	Incremental Cost	Tolerance
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⁷ An explanation of the cost terms used in this section can be found on the BSC Website at the following link: http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

Service Provider Operation Cost	NIL	NIL	n/a
Service Provider Maintenance Cost	NIL	NIL	n/a
ELEXON Operational Cost	NIL	NIL	n/a

The Alternative Modification has identical costs to the Proposed Modification.

It should be noted that Implementation costs in relation to the changes required to BSCP71 have already been borne within the costs of progressing this Modification. This has been necessary to enable the Implementation Date to be met and has been in response to the Urgent timescales of this Modification and the Groups desire for implementation of BSCP71 to coincide with Implementation of P210. The ELEXON costs associated with these BSCP changes are noted under (d) below.

Significant costs have been identified of non-implementation. These are detailed in Section 2.

a) BSC Agent Impact

There will be no change as the Proposal will ensure the Code accurately reflects the original intent which is reflected by current industry practices.

If the Proposal is not approved then changes to ECVAA systems will be progressed to bring these in line with the alternative interpretation of the Code. As ECVAA, LogicaCMG have provided an Impact Assessment for changes required, based on some assumptions of what the systems would be required to do in certain circumstances. These costs would be £1,019,525 (ex VAT). LogicaCMG also quoted a 25% tolerance due to the urgent timescales to assess the complicated changes required. The Project duration would take 38 weeks.

b) BSC Party and Party Agent Impact

There would be no impact to BSC Parties or Party Agents if P210 is implemented as current practice will continue to operate.

If the Proposal is not approved then changes to Parties and Party Agents systems may be required to bring these in line with the alternative interpretation of the Code. In particular, Notification Agents may need to amend their processes and systems for collating ECVN (ECVAA-I004) and MVRN (ECVAA-I005) flows, in order to reflect the revised conventions for processing of these data flows. Parties and Notification Agents may need to amend their processes and systems for receiving and processing ECVN Feedback (ECVAA-I009), MVRN Feedback (ECVAA-I010), ECVN Acceptance Feedback (ECVAA-I028) and MVRN Acceptance Feedback (ECVAA-I029) data flows, to reflect changes in the way the ECVAA system constructs such flows.

c) Transmission Company Impact

No impact identified.

d) BSCCo Impact

BSCCo will have to effect changes to the text of the Code and BSCP71. Further work is also ongoing to produce a guidance note for how to replace an existing notification.

Implementation costs in relation to the changes required to BSCP71 have been borne within the costs of progressing this Modification. These specific costs amount to 6.5 man days and a cost of £1560.

3.2 Alternative Modification

The Implementation cost for the Alternative Modification is identical to the Proposed Modification costs detailed above.

4 RATIONALE FOR MODIFICATION GROUP'S RECOMMENDATIONS TO THE PANEL

This section summarises the recommendations of the Modification Group. The Modification Group considered all consultation responses, and all of the points raised by respondents are incorporated into the Group's views below.

4.1 Assessment of Proposed Modification Against Applicable BSC Objectives

The **UNANIMOUS** view of the Modification Group was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared to the current Code baseline, for the following reasons:

- **Applicable BSC Objective (c)**

Potential uncertainty or variances in the interpretation of the Code create inefficiency and uncertainty in the settlement and administration of the arrangements. The proposed changes would reinforce existing rules, conventions and practice and therefore will provide certainty and avoid inefficiency and potentially significant costs. Parties may be discouraged from fully participating in the market because they are unwilling too assume the risk associated with uncertainty. Removing potential for misinterpretation would also assist new entrants and existing Market Participants in correctly interpreting the process of notification and engenders greater confidence in the notification rules. An historic Implementation Date would also have a positive impact on competition by ensuring that there is no window of opportunity for any Market Participant to take advantage of the existing ambiguities. For these reasons it was felt that the Proposed Modification would benefit competition.

The Group were **UNANIMOUS** in agreement that the changes to the Code would better facilitate the Applicable BSC Objectives and were only **SPLIT** (50:50) on the following argument in relation to the Approved Modification. The potential for a historic Implementation Date was flagged when P210 was raised and has the potential to be material thus it meets two of the Authorities criteria for retrospection. Those for the Proposed Modification believed that it was a pragmatic approach to ensure that the risk of exploitation is minimised.

- **Applicable BSC Objective (d)**

Potential lack of clarity in the Code and therefore uncertainty in relation to existing conventions and industry practice adversely affects efficiency in implementation and administration of Settlement. Providing greater clarity reduces the risk of disputes due to alternative interpretations of the notification process rules. The costs of a dispute are ultimately socialised across Market Participants. P210 would also avoid costs in excess of £1,000,000 to change Central and Market participant systems.

The Group agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

The Modification Group was **SPLIT** (50:50) on the issue of having a historic Implementation Date. For those opposed to the Implementation Date of the Proposed Modification, the argument was that a historic Implementation Date undermines certainty of market operation and if Parties believe the current Code baseline may be subject to change retrospectively then they may be less inclined to participate fully.

4.2 Assessment of Alternative Modification Against Applicable BSC Objectives

The **SPLIT** (50:50) view of the Modification Group was that the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared to the Proposed Modification. The Group view was **UNANIMOUS** that the Alternative Modification **WOULD** also better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared to the current Code baseline.

Those Group members who favoured the Alternative also believed that, excluding the argument related to the historic Implementation Date, the benefits to Applicable BSC objectives (c) and (d) identified for the Proposed Modification above also applied to the Alternative. Additionally, they believed that there would be additional positive impact on competition from having a prospective Implementation Date. This ensures that existing confidence in the market is not undermined. Any reduced confidence in the BSC Arrangements reduces potential for market entry and the resulting competition in the market.

The Group agreed that the Alternative Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

The Group agreed that, as they were split on the preferred solution, the solution that contained the prospective implementation date would form the Alternative. This is because the Code requires that an Alternative solution should better facilitate the objectives than the proposed and whilst the Group was split 50:50, a clear majority of respondents had expressed a preference for a solution with a prospective implementation date. Thus the Proposed and Alternative Modifications have been reversed in this Modification Report when compared to the Urgent Modification Consultation.

4.3 Implementation Date

The Modification Group agreed the following recommended implementation approach for P210:

- An Implementation Date for the Proposed Modification of 5 February 2007.
- An Implementation Date for the Alternative Modification of 1 Working Day following an Authority decision.

P210 would be accompanied by changes to Code and Code Subsidiary Document, BSCP71. These changes to BSCP71 would be made coincident with P210.

4.4 Legal Text

Draft legal text was issued as part of the Urgent Modification Consultation and two specific comments were received in the consultation responses. Additionally, the Modification Group require changes to reflect the additional issue identified in relation to the content of an MVRN. The areas of the legal text to be updated are:

- A typographical error in P2.3.5 (a) final paragraph. The words "that it is to" should be deleted;
- A typographical error in 2.3.9 - Switch the references in the last line. Should read "then (subject to paragraph **2.3.11**) paragraph **2.3.10** shall apply."
- A full stop added to the end of P3.3.9; and
- Removal of P3.3.2 (a) (ii) and (iii) and adding these two areas into the area in brackets of P3.3.2 (a) (i).

The Modification Group reviewed the updated text by correspondence and agreed that it delivers the solution developed by the Group.

The legal text can be found in Appendix 1.

5 RATIONALE FOR PANEL'S RECOMMENDATIONS TO THE AUTHORITY

NB: this section is to be updated following consideration of the draft Urgent Modification Report by the Panel.

5.1 Panel's Consideration of Draft Urgent Modification Report

This section to be completed following the Panel meeting at which the draft Urgent Modification Report and Urgent Modification Consultation responses are considered.

5.2 Panel's Final Recommendation to the Authority

This section to be completed following the Panel meeting at which the draft Urgent Modification Report and Urgent Modification Consultation responses are considered.

6 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
BSCCo	Balancing and Settlement Code Company - Defined and created by the Balancing and Settlement Code (BSC) in March 2001. A non-profit making organisation, responsible for managing the provision of the necessary central systems and services to give effect to the BSC trading rules and for managing the governance processes.
BSCP	Balancing and Settlement Code Procedure - Working procedure documents, which provide additional detail to the processes, defined in the BSC.
Code	The Balancing and Settlement Code
ECVAA	Energy Contract Volume Aggregation Agent - Agent that receives ECVN and MVRNs from ECVNA and MVRNA's. Stores data and provides data to SAA and BMRA
ECVN	Energy Contract Volume Notification - The notification sent for a contract between two parties by the ECVNA.
ECVNA	Energy Contract Volume Notification Agent - Sends contract notifications between two trading parties to the ECVAA
ECVNAA	Energy Contract Volume Notification Agent Authorisation - An agreement between two Trading Parties and an ECVNA, which enables the notification agent to send notifications to the ECVAA on their behalf.
EFD	Effective From Date
ETD	Effective To Date
MVRN	Metered Volume Reallocation Notification - A notification of Metered Volume Reallocation in relation to Settlement Period(s) in any Settlement Day(s). Sent by the MVRNA to the ECVAA
MVRNA	Metered Volume Reallocation Notification Agent. Agent giving MVRNs on behalf of Parties.
MVRNAA	Metered Volume Reallocation Notification Agent Authorisation. Agreement between two Trading parties to select a notification agent to sent MVRN on their behalf.
Settlement Day	Means the period from 00:00 hours to 24:00 hours on each day for which payments and sales are calculated

Settlement Period	A period of 30 minutes beginning on the hour or the half-hour, used in the BSC for Settlement purposes.
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7 DOCUMENT CONTROL

7.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	02/03/07	Chris Stewart	David Jones	For technical review
0.2	05/03/07	Chris Stewart	ELEXON	For technical review
0.3	05/03/07	Change Delivery	BSC Parties and other interested parties	For comment
0.4	dd/mm/yy			For quality review
0.5	dd/mm/yy	Change Delivery	BSC Panel	For Panel decision
1.0	15/03/07	BSC Panel		For Authority decision

APPENDIX 1: LEGAL TEXT

Legal text for the Proposed Modification is attached as a separate document, Attachment 1.

Legal text for the Alternative Modification is identical to that for the Proposed Modification.

The text has been revised to reduce the potential for misinterpretation and, where necessary to reflect the current industry practice and convention.

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the BSC Website at: [ELEXON - Modification Proposal P210](#)

Date	Event
05/02/07	Modification Proposal raised by The Panel
09/02/07	First Modification Group Meeting
14/02/07	Proposal issued for Urgent industry consultation
21/02/07	BSCP71 changes issues as part of Urgent industry consultation
28/02/07	Urgent consultation responses returned (for both P210 and BSCP71 changes)
02/03/07	Second Modification Group Meeting
05/03/07	Distribution of draft Urgent Modification Report to industry for comment
09/03/07	Final industry comments received
14/03/07	Draft Urgent Modification Report to be presented to the Panel
15/03/07	Final Modification Report to be issued to the Authority for decision

ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL⁸

Meeting Cost	£1000
Legal/Expert Cost	£5000
Impact Assessment Cost	£5000
ELEXON Resource	33 man days ⁹ £8960

⁸ Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link: http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

⁹ Note that this includes the cost of progressing changes to BSCP71 such that this can be implemented concurrently with P210.

APPENDIX 3: URGENT MODIFICATION CONSULTATION

The P210 Urgent Modification Consultation can be found on the BSC Website at: [ELEXON - Modification Proposal P210](#)

The Urgent Modification Consultation includes:

- The conclusions of the Modification Group regarding the areas set out in the P210 Terms of Reference;
- Details of the Group's membership; and
- The full impact assessment results.

APPENDIX 4: URGENT MODIFICATION CONSULTATION RESPONSES

Full copies of the consultation responses are attached as separate documents:

- Attachment 4: P210 Urgent Consultation.
- Attachment 5: P210 Urgent Consultation - Red-line Changes to BSCP71 consultation responses.