

P210

Meeting 1

9 February 2007

Timetable

Modification Group Meeting 1 – Agree issues/consultation documentation	09/02/2007
Proposal issued for consultation (by close of business)	14/02/2007
Consultation Responses due back	28/02/2007
Modification Group Meeting 2 – Consider consultation responses and formulate arguments for the draft Urgent Modification Report	TBC
BSCCo to draft Urgent Modification Report	02/03/2007
Distribution of draft Urgent Modification Report for comment (By close of	05/03/2007
Final industry comments received	09/03/2007
Panel provided draft Urgent Modification Report	12/03/2007
Panel Meeting to decide on Final Recommendations in Urgent Modification	14/03/2007
Final Urgent Modification Report to the Authority	15/03/2007

Proposed Modification

P210 seeks to:

- Ensure the Code is not open to misinterpretation;**
- Ensure that there is no move away from current industry practice or established conventions; and**
- Remove the need for any changes to Central and/or Party systems**

Proposed Modification

P210 seeks to revise the text in the Code in the following areas:

1. The 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. ECVAA responsibilities after request from Parties and Agents not to receive 'Notification Feedback';
5. Refusal and rejection of notifications for credit reasons; and
6. An erroneous cross reference

1. The effect of an overwrite notification on Settlement Days beyond its Effective To Date

There are two potential interpretations of P2.3.5 and P3.3.5:

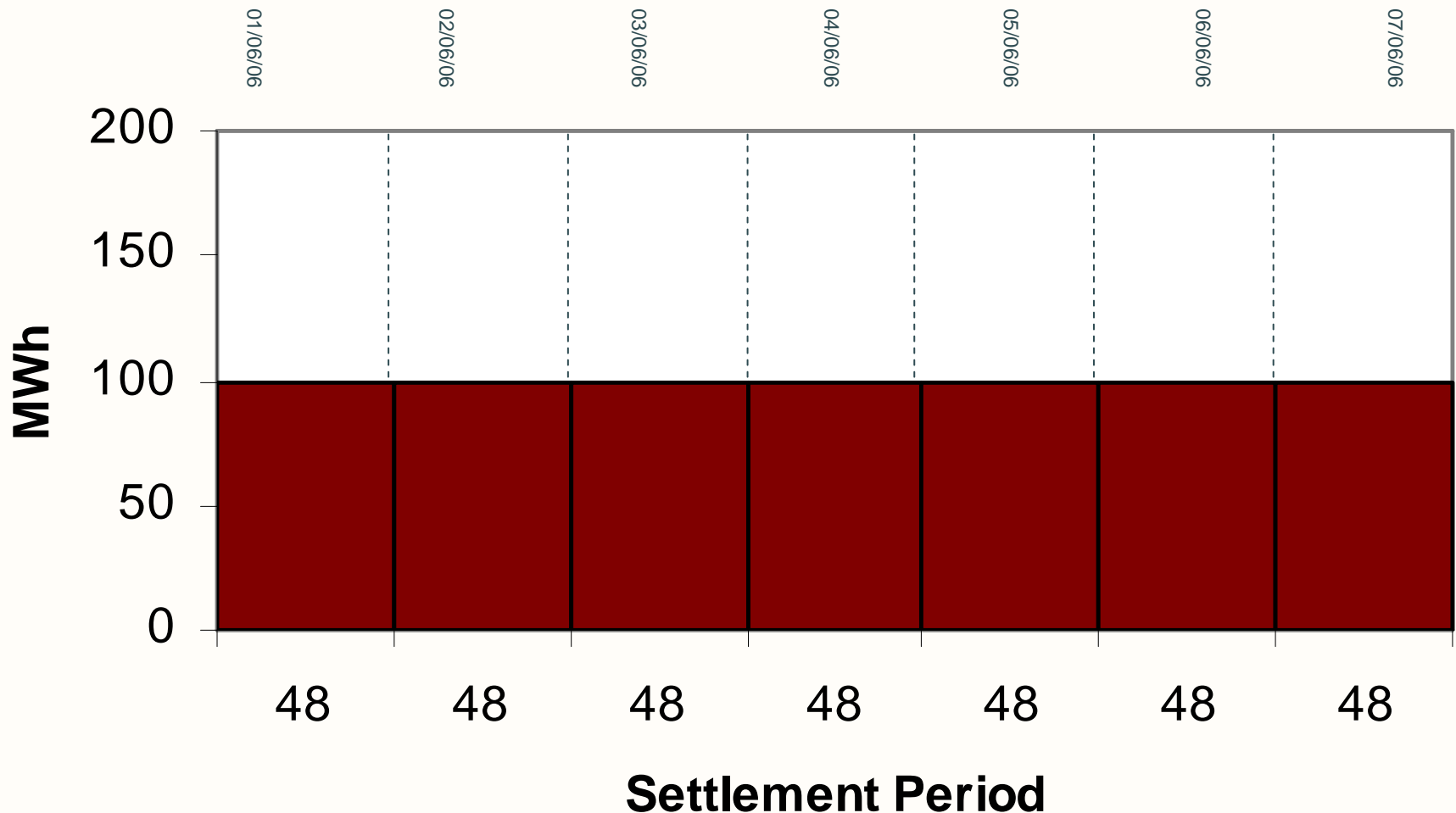
- A. A replacement notification will overwrite the entire existing notification from the EFD forward (current practice); and**
- B. A replacement notification will overwrite an existing notification only for the dates specified in the replacement notification**

1. The effect of an overwrite notification on Settlement Days beyond its Effective To Date

Example 1

- An ECVNA submits an ECVN (ECVN1) which runs from 1/6/2006 to 7/6/2006.
- ECVN1 specifies an Energy Contract Volume of 100MWh for all 48 Settlement Periods in each Settlement Day during the effective dates of ECVN1.

Original Position - ECVN1

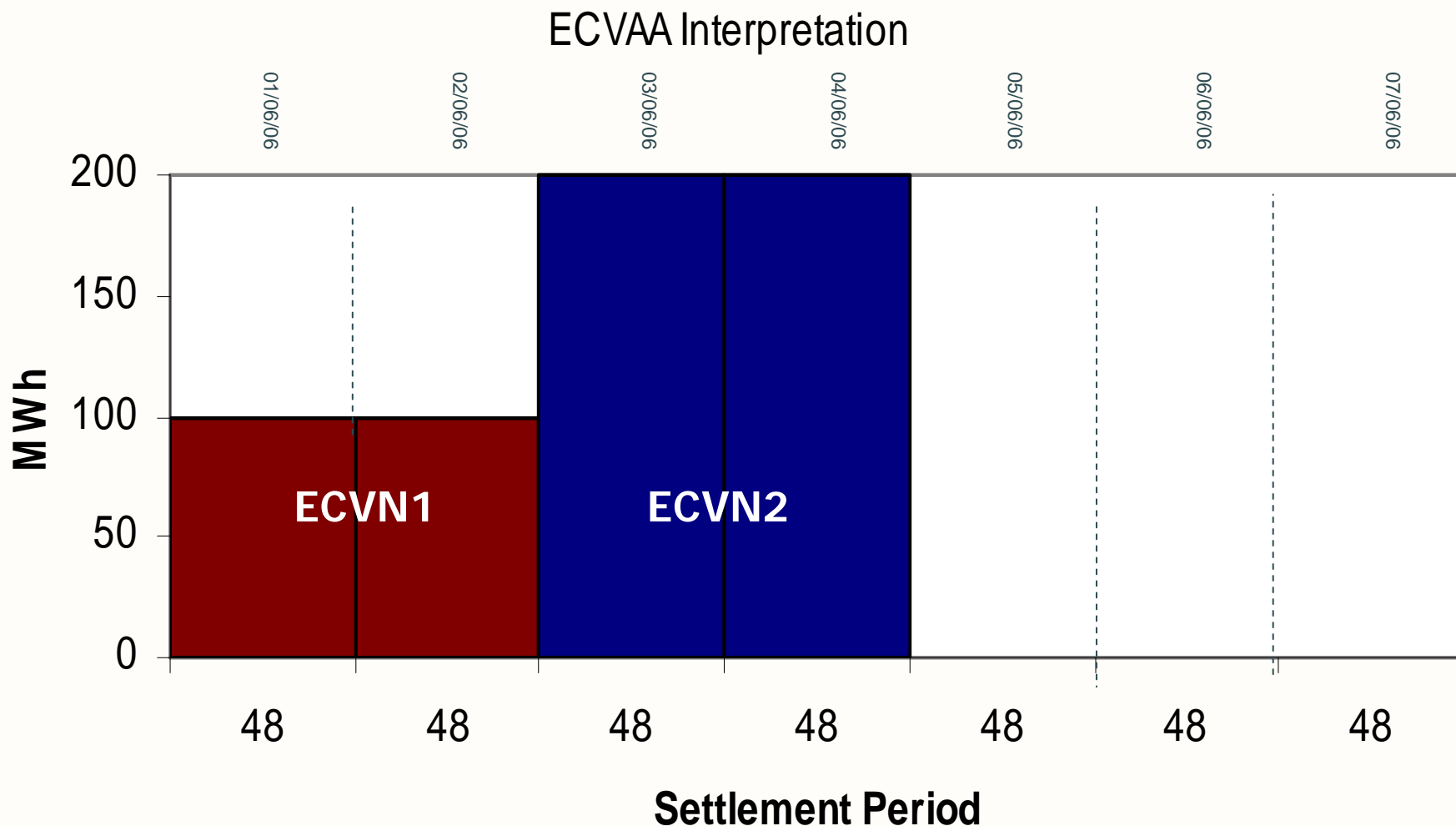


1. The effect of an overwrite notification on Settlement Days beyond its Effective To Date

Example 1

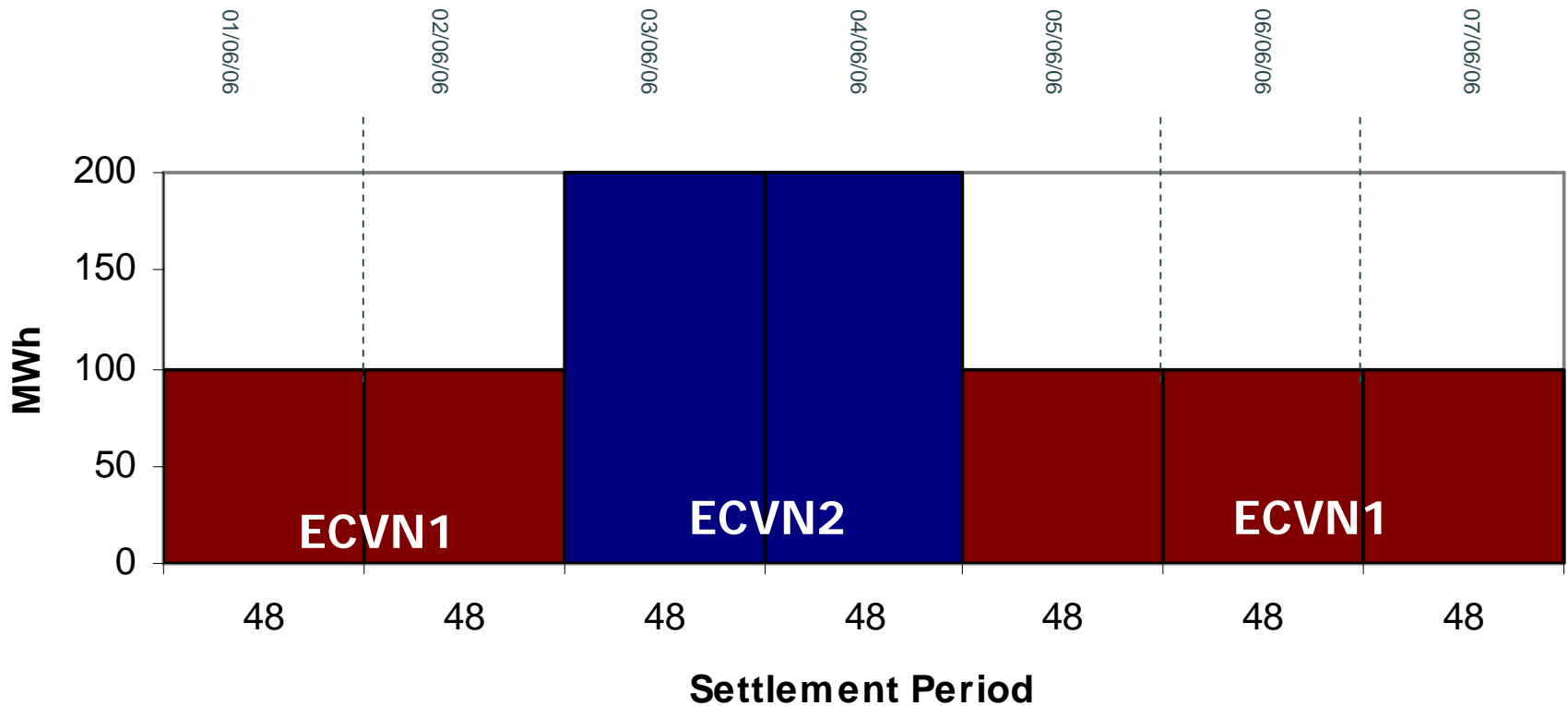
- The relevant ECVNA then overwrites ECVN1 with ECVN2 which covers two days during the effective dates of ECVN1 i.e. 3/6/2006 to 4/6/2006.
- ECVN2 specifies an Energy Contract Volume of 200MWh for all 48 Settlement Periods in each Settlement Day during the effective dates of ECVN2.

1. Interpretation A (current practice)



ECVN1 ceases to have effect from the EFD of ECVN2. Therefore ECVN1 is no longer in effect from 3/6/2006 onwards for any of the 48 Settlement Periods.

1. Interpretation B



ECVN2 would only be effective for the 96 Settlement Periods on 3/6/2006 to 4/6/2006 whilst ECVN1 would continue to be effective from 5/6/2006 onwards.

2. Part day overwrites of notifications

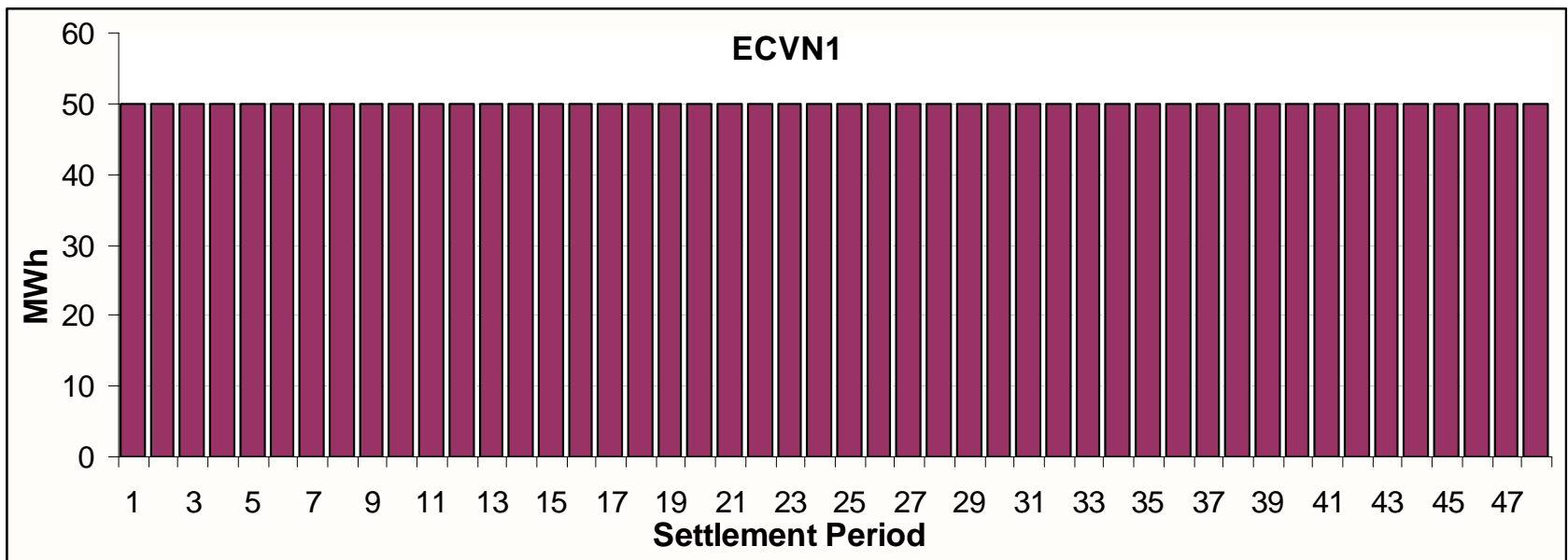
There are two potential interpretations of P2.3.5 and P3.3.5 in relation to part day overwrites:

- A. Settlement Periods omitted from a notification are assumed to be withdrawn and a zero value entered (current practice); and
- B. Settlement Periods omitted from a notification are assumed to remain as in the prior notification

2. Part day overwrites of notifications

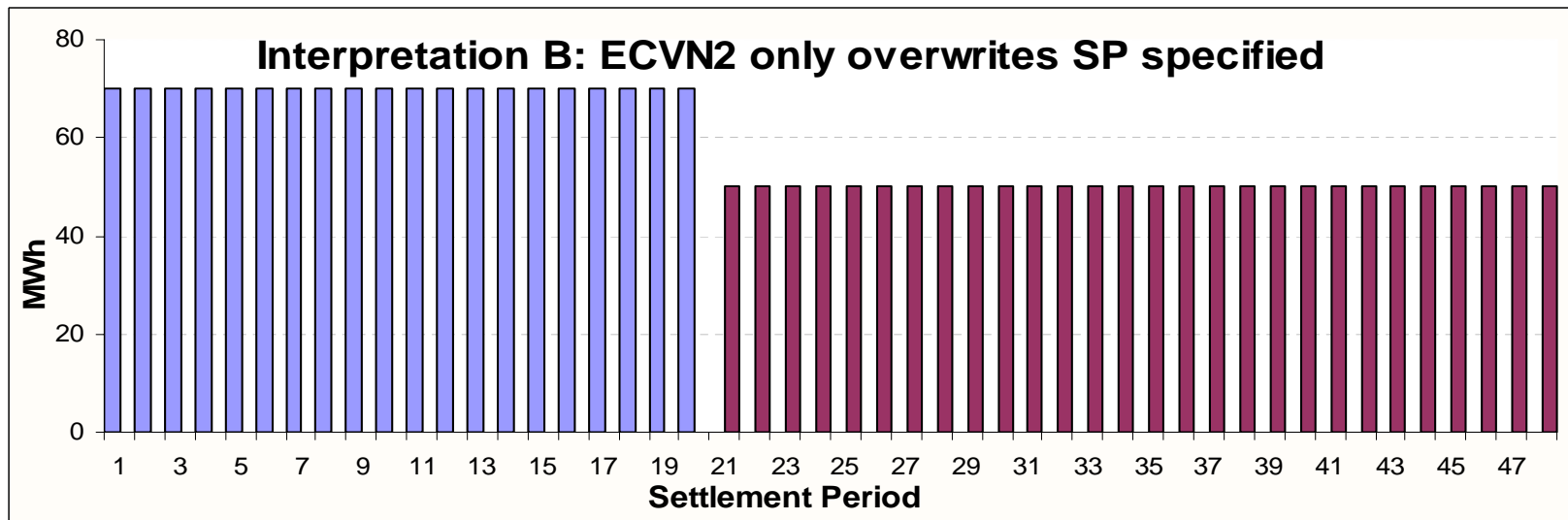
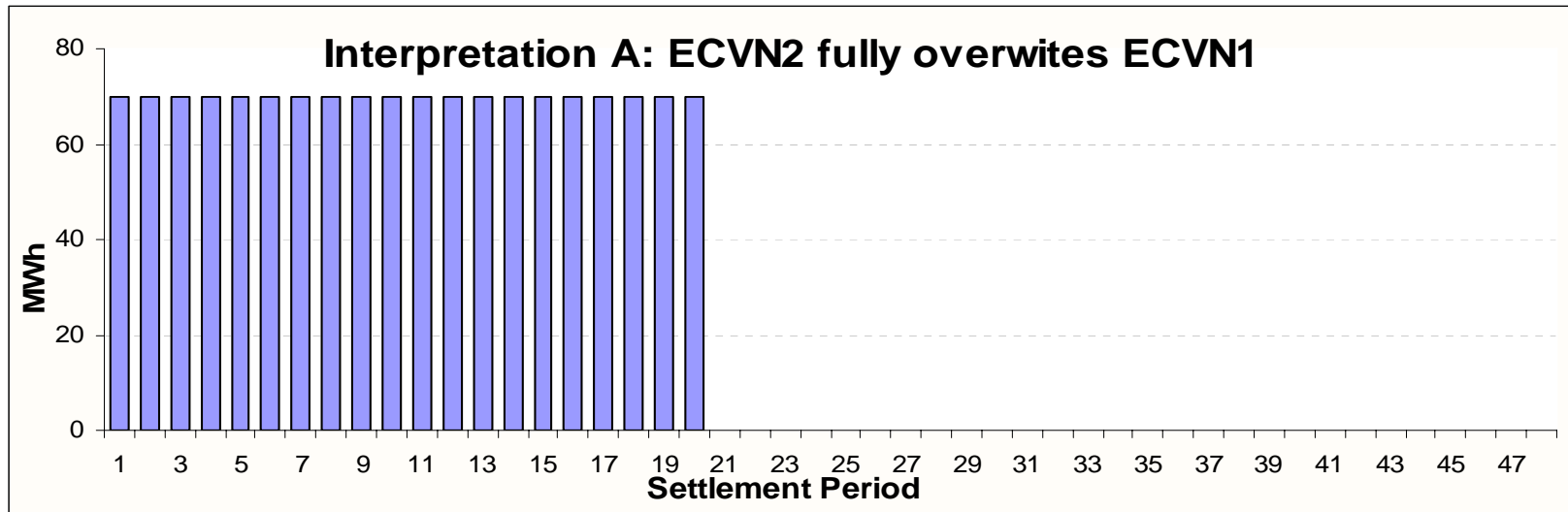
– Example 2

- An ECVNA submits ECVN1 which specifies a contract volume of 50MWh for SP 1 to 48



- The ECVNA overwrites this with ECVN2 which specifies a volume of 70MWh for SP 1 to 20 only

2. Part day overwrites of notifications – Example Interpretation



3. Business validation of Notifications

- Validation test (P2.3.4 and P3.3.4):
 - Within the range $\pm 99,999.999$ MWh with no more than 3dp; and
 - For MVRNs, the percentage should have no more than five digits after the decimal point and is in the range 0 to 100 (inclusive)

Current ECVAAs Systems	BSC
Entire Notification will be rejected if any single SP fails validation test	Only individual SP's that fail will be rejected.

3. Business validation of Notifications

BSC and systems are misaligned:

- P98 change to validation on SP basis was not delivered
- Industry discussions/workshops held during P98 implementation phase
- Programme Circulars 170 and 171 sent out to reinforce understanding

4. Request from Parties and Agents not to receive Notification Feedback

- P2.3.8 and P3.3.8 requires an ECVAAs to notify Parties or Agents when a notification has failed the validation test ('Notification Feedback')
- Via BSCP71, P98 introduced the ability for a Party/Agent to opt out of receiving Notification Feedback
- It is Proposed that the ECVAAs is not obliged in the BSC to provide Notification Feedback where a Party/Agent has opted out
- This would close a potential loophole where a Party/Agent might believe they could resubmit notifications under P2.3.10 and P3.3.10

5. Refusal and rejection of notifications for credit reasons

Once a Party goes into Level 2 Credit Default, two processes begin:

1. **Refusal** – prevents the Party from notifying new contracts where any one SP will not decrease their indebtedness; and
2. **Rejection** – at Gate closure, rejection discards contracts that have already been notified

5. Refusal and rejection of notifications for credit reasons

Refusal

Current ECVAA Systems	BSC (potential interpretation)
A notification is refused in its entirety if any one of the SP values within it does not decrease indebtedness	A notification should be refused in its entirety if its overall net effect is to not decrease indebtedness

5. Refusal and rejection of notifications for credit reasons

Rejection

Current ECVAA Systems	BSC (potential interpretation)
Rejection is on a SP basis and is independent of other SPs within the notification	A notification should be rejected in its entirety if any one of the SP values within it does not decrease indebtedness

5. Refusal and rejection of notifications for credit reasons

Neutral SPs

Current ECVAA Systems	BSC
Refusal and rejection only occurs if the notification has the effect of increasing indebtedness. (Neutral SPs will not lead to refusal/rejection)	Refusal and rejection occurs if the notification does not have the effect of decreasing indebtedness. (Neutral SPs will lead to refusal/rejection)

6. Cross referencing error

- The reference in P3.3.2(a)(vii) should be to paragraph 3.6.1 and not 3.5.1 as currently in the BSC

Proposed Modification: Terms of Reference

The Modification Group is asked to confirm:

- That a replacement notification should always overwrite the previous notification from the Effective From Date of the replacement notification but not overwrite the previous notification for any Settlement Period before the Effective From Date of the replacement notification. For the avoidance of doubt, this would mean that any Settlement Days specified in the previous notification which are beyond the Effective to Date (if specified) of the replacement notification will be negated;
- That a replacement notification for a Settlement Day 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 MW value of zero be inserted;

Proposed Modification: Terms of Reference

The Modification Group is asked to confirm:

- That the Energy Contract Volume Allocation Agent (ECVAA) systems should reject an entire notification if any one Settlement Period fails validation**
- 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**

Proposed Modification: Terms of Reference

The Modification Group is asked to confirm:

- That, if a Party is in Level 2 Credit Default, the ECVAAs systems should:
 - only **reject** individual Settlement Periods of a notification if that Settlement Period value has the effect of increasing the indebtedness of the Party; and
 - **refuse** the entire notification if one Settlement Period has the effect of increasing indebtedness; and
 - not refuse or reject a notification if one Settlement Period does not decrease indebtedness (i.e. the ECVAAs systems should not reject or refuse when a Settlement Period has a neutral effect on indebtedness).
- That the cross reference in P3.3.2 is incorrect.

Proposed Modification: Terms of Reference

The Modification Group shall consider and/or include in the Urgent Report as appropriate:

- Whether the Proposed Modification should have a retrospective Implementation Date (potentially to the date the Proposal was raised on 5 February 2007); and**
- Whether any changes are required to Code Subsidiary Documents.**