



Stage 04: Draft Modification Report

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

▶ 04 Report Phase

P261: Correcting an omission in the BSC arising from the P216 Alternative Modification legal text

ELEXON has identified that the P216 Alternative Modification legal text did not fully reflect the intent of the approved P216 Alternative Modification solution.

Principle 15 of P216, the ability to correct Line Loss Factor material manifest errors going back to the start of a BSC year, was not correctly reflected in the BSC.

This Modification amends the BSC to fully reflect the intent of the P216 Alternative Modification solution.



Initially, the Panel recommends Approval of the Proposed Modification



Medium Impact:
The Panel (as delegated to the ISG and SVG), Parties impacted by a material manifest error



Low Impact:
ELEXON would update the BSC following approval of this Modification Proposal.

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Any questions?

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About this document:

This document is a draft Modification Report, which ELEXON will present to the Panel on 8 July 2010. The Panel will consider the recommendations, and agree a final view on whether or not this change should be made.

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Why Change?

ELEXON has identified that the P216 'Audit of LLF Production' Alternative Modification legal text did not fully reflect the intent of the approved P216 Alternative Modification solution. This Modification amends the BSC to fully reflect the intent of the approved P216 solution.

The P216 Alternative Modification introduced 16 principles for the calculation, audit and approval of Line Loss Factors (LLFs) to ensure that LLFs used in Settlement are accurate and consistent. These principles are documented in BSCP128 'Production, Submission, Audit and Approval of Line Loss Factors'.

However, principle 15 was not correctly reflected in the P216 Alternative Modification legal text. As a result, the BSC does not allow the Panel (as delegated to the Imbalance Settlement Group (ISG) and the Supplier Volume Allocation Group (SVG)) to correct material manifest errors going back to the start of a BSC year.

Currently, Parties affected by a material manifest error will not be able to recover resultant costs or relieve any other impacts experienced since the incorrect LLFs were introduced.

Solution

The Proposed solution would amend the BSC to:

- Ensure no retrospective changes shall be made to approved site specific or generic LLFs other than to correct material manifest errors (i.e. the P216 Alternative Modification solution);
- Where there is a material manifest error that has been identified within a BSC year:
 - such changes could be back dated to the start of the BSC year (1 April) for which they have been approved;
 - and if that year is 1 April 2010 to 1 April 2011 these errors can be back dated to 1 April 2010. i.e. before the implementation of P261; and
 - such changes would require Panel approval (as delegated to the ISG and SVG).

Any other LLF related changes are outside the scope of this Modification Proposal.

Impacts & Costs

The estimated ELEXON progression costs are 2.5 man days of effort, equating to £600.

Implementation

The Panel recommends that P261 is implemented 5 Working Days after an Authority decision.

The Case for Change

The Panel unanimously believe P261 would better facilitate Applicable BSC Objective (d).

Recommendations

The Panel's unanimous recommendation is that P261 should be approved.

Why was P216 raised?

P216 'Audit of LLF Production' was raised to provide additional assurance to the industry and the Panel that the LLFs are accurate and consistent with the methodologies published

To achieve this P216 introduced 16 principles for the calculation, audit and approval of LLFs to ensure that LLFs used in Settlement are accurate and consistent.

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P216 Alternative Modification – principle 15

The P216 Alternative Modification introduced 16 principles for the calculation, audit and approval of LLFs to ensure that LLFs used in Settlement are accurate and consistent. These principles are documented in BSCP128.

Principle 15 states:

'No retrospective changes shall be made to approved site specific or generic LLFs other than to correct material manifest errors'

A material manifest error is 'An unambiguous error in the application of the approved methodology, in the calculation input data or corruption of the LLF values in the submission process in such a way that there is a material impact on Settlement or a material impact to the advantage or detriment of the customer'. The inclusion of Principle 15 in the P216 solution is clearly stated in the P216 Assessment Report, Final Modification Report and Authority decision letter:

P216 Assessment Report

"3.1 High level principles...

15 **No retrospective changes shall be made to approved site specific or generic LLFs other than to correct material manifest errors."**

The Assessment Report also documents the Group's consideration of principle 15 and the views of Assessment Procedure respondents (sections 5.2.1.43 to 5.2.1.45).

Paragraph 5.2.1.43 states "The Group agreed that, once approved, LLFs should not be changed, although it was noted that material errors should be corrected to protect Settlement accuracy".

P216 Final Modification Report

Principle 15 is stated in section 1.1.1 of the Final Modification Report.

P216 Authority decision letter

The Authority decision letter explicitly recognises principle 15 as the high level LLF principles are attached to the letter.

The issue – principle 15 not fully reflected in the BSC

Principle 15 was not correctly reflected in the P216 Alternative Modification legal text. As a result, the BSC does not allow the Panel (as delegated to the Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG)) to correct material manifest errors going back to the start of a BSC year. The diagrams below shows the P216 solution and the current BSC provisions.

Figure 1 shows the Approved P216 solution. A material manifest error is identified for the current BSC year (1 April 2010 to 31 March 2011). The ISG and/or SVG is able to correct this material manifest error going forward to the next round of LLFs (for BSC year 2011/2012) and going back to the start of the BSC year. The area shaded in green shows where the Panel can correct the material manifest error. The area shaded in yellow shows where the next BSC year LLFs will start. The grey lined area shows where the LLFs have crystallised and cannot be corrected.

Figure 1: P216 solution – what should happen

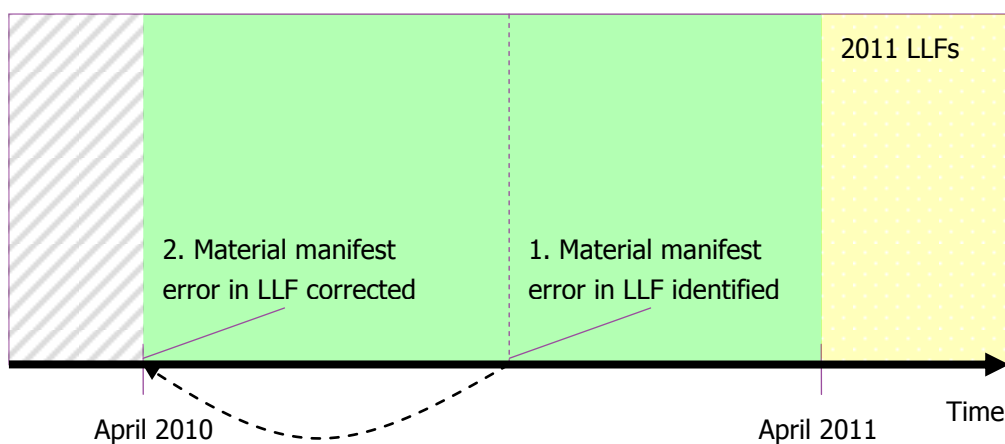
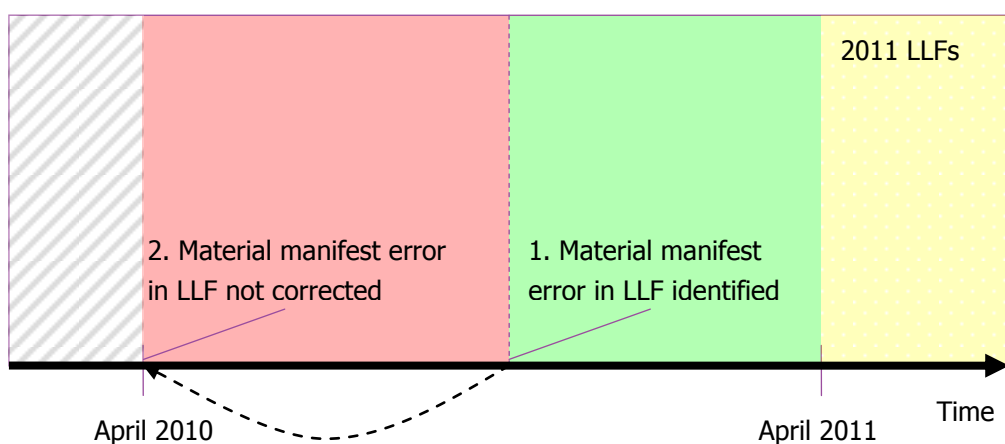


Figure 2 shows the current BSC provisions. The red shaded area indicates where the BSC deviates from the P216 solution. In this example, the ISG and/or SVG would not be able to correct a material manifest error going back to April 2010.

Figure 2: Current BSC



This is contrary to the approved P216 Alternative Modification and could impose significant unwarranted costs on Parties impacted by a material manifest error.

One instance of a material manifest error has already arisen. ISG and SVG have agreed the prospective correction of 30 affected Site Specific LLFs under the BSCP128 processes (SVG112/01, ISG112/06). Currently, this material manifest error cannot be corrected back to 1 April 2010, meaning affected Parties will not be able to recover resultant costs or relieve any other impacts experienced since the current LLFs were introduced.

Proposed solution

The Proposed solution would amend the BSC to:

- Ensure no retrospective changes shall be made to approved site specific or generic LLFs other than to correct material manifest errors (i.e. the P216 Alternative Modification solution);
- Where there is a material manifest error that has been identified within a BSC year:
 - such changes could be back dated to the start of the BSC year (1 April) for which they have been approved;
 - and if that year is 1 April 2010 to 1 April 2011 these errors can be back dated to 1 April 2010. i.e. before the implementation of P261; and
 - such changes would require Panel approval (as delegated to the ISG and SVG).

Any other LLF related changes are outside the scope of this Modification Proposal.

4 Impacts & Costs

Costs

ELEXON Cost		ELEXON Service Provider cost	Total Cost
Man day	Cost		
2.5	£600	£0	£600

Impacts

Impact on BSC Systems and process

None identified

Impact on BSC Agent/service provider contractual arrangements

None identified

Impact on BSC Parties and Party Agents

The Modification Proposal would allow Parties to request the Panel corrects LLF material manifest errors going back to the start of a BSC year, as originally envisaged under P216.

Impact on Transmission Company

No impact on Transmission Company.

Impact on ELEXON

Minor impact to update the BSC.

Impact on Code

Code section	Potential impact
Section K	Would be amended to fully reflect P216 Alternative Modification principle 15.

Impact on Code Subsidiary Documents

None identified

Impact on Core Industry Documents and other documents

None identified

Impact on other Configurable Items

None identified

Other impacts

Panel, ISG, SVG	The Panel (as delegated to the ISG and SVG) would be able to correct material manifest errors going back to the start of the BSC year in which they are identified.
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5 Implementation

Panel's suggested implementation approach

This Modification Proposal would be a Code-only change, and so would be implemented **5 Working Days after an Authority decision**.

6 The Case for Change

Panel's view against the Applicable BSC Objectives

The Panel believe this Modification would better facilitate **Applicable BSC Objective (d)** 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements' as it would:

- allow the Panel (as delegated to the ISG and SVG) to correct material manifest errors going back to the start of a BSC year, as originally envisaged under P216;
- mean that Parties impacted by a material manifest error could have the error corrected going back to the start of a BSC year; and
- remove the confusion between the BSC (which incorrectly reflects principle 15) and BSCP128 (which correctly reflects principle 15).

7 Panel's Initial Discussions

Panel's consideration of the request to raise the Modification Proposal

The Panel unanimously agreed with ELEXON's recommendation to raise the Modification Proposal as it would better facilitate Applicable BSC Objective (d). The Panel cited the reasons outlined in Section 6 'The Case for Change'.

The Panel agreed that P261 proceed directly to the Report Phase. The Panel noted that the omission of the ability for the ISG and SVG to correct material manifest errors going back to the start of a BSC year is clearly counter to the approved P216 Alternative Modification. Hence, this is a self evident change and should proceed directly to the Report Phase.

8 Report Phase Consultation Responses

All Report Phase Consultation respondents supported the Panel's initial recommendations. The responses are summarised in the table below. You can find the full responses on our website [here](#). One respondent had minor comments on the wording of the solution and the legal text. These comments are outlined below.

Report Phase Consultation responses		
Question	Yes	No
Should the Proposed Modification be approved?	7	0
Do you agree with an Implementation Date of 5 Working Days?	7	0
Does the legal text deliver the intention of the Proposed?	7	0
Do you have any other comments?	1	6

Comments on solution wording and legal text

One respondent suggested clarifications to the solution wording and the legal text. The respondent commented:

P261RR01, page 3, Section headed Solution, second bullet point dealing with the solution for material manifest errors:

The wording on the first two bullet points is not very clear, we therefore suggest the following:

- *Where there is a material manifest error that has been identified **within** a BSC year:*
 - *such changes would be back dated to the start of the BSC year (1 April) for which they have been approved;*
 - *and that year is 1 April 2010 to 1 April 2011 these errors can be back dated to 1 April 2010 i.e. before the implementation of P261*

We suggest that the legal text should end with something like "or any year thereafter", as the current drafting could be misinterpreted as though there is a limit to the application of the proposed solution to just the BSC Year commencing 1 April 2010.

ELEXON discussed the comments with the respondent and agreed to:

- Update the solution on page 3 and 5 of the draft Modification Report to reflect the respondent's suggestion; and
- Not update the legal text as ELEXON's lawyer has reviewed the suggestion and confirmed that the current drafting does not limit the application of the Proposed Modification to only this BSC year.

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9 Recommendations



ELEXON invites the Panel to:

- NOTE the P261 draft Modification Report and the Report Phase consultation responses;
- CONFIRM the recommendation to the Authority contained in the P261 draft Modification Report that the Proposed Modification should be made;
- APPROVE an Implementation Date for the Proposed Modification of:
 - 5 Working Days after an Authority decision;
- APPROVE the legal text for modifying the Code for the Proposed Modification; and
- APPROVE the P261 Modification Report or INSTRUCT the Modification Secretary to make such changes to the report as may be specified by the Panel.

Recommendation

The Panel unanimously recommend that the Proposed Modification should be made.

10 Further Information

More information is available in:

Attachment **A**: Modification Proposal

Attachment **B**: Proposed Modification legal text

All P261 documentation can be found on the [P261 page of the ELEXON Website](#).