

MODIFICATION REPORT for Modification Proposal P189

Clarification to Fulfil the Intent of P174

Prepared by: ELEXON on behalf of the Balancing and Settlement Code Panel (the 'Panel')

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RECOMMENDATIONS

Having considered and taken into due account the contents of the draft P189 Modification Report, the Balancing and Settlement Code Panel recommends:

- **that Proposed Modification P189 should be made;**
- **the P189 Implementation Date of 2 November 2005 if an Authority decision is received on or before 19 October 2005, or 10 Working Days after an Authority decision if the received after 19 October 2005; and**
- **the proposed text for modifying the Code, as set out in the Modification Report.**

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¹ The current version of the Balancing and Settlement Code (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

The following parties/documents have been identified as being potentially impacted by Modification Proposal P189.

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

X = Identified in Report for last Procedure
N = Newly identified in this Report

1 DESCRIPTION OF PROPOSED MODIFICATION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

1.1 Modification Proposal

Modification Proposal P189 'Clarification to Fulfil the Intent of P174' ('P189') (Reference 1) was raised on 23 May 2005 by EDF Trading (the 'Proposer').

The P189 Initial Written Assessment (IWA) (Reference 2) was presented to the Panel on 9 June 2005; the Panel determined that P189 should be made and should proceed directly to the Report Phase. It was recommended that if approved, P189 be implemented concurrently with Approved Modification P174 'Provision for Users of an Interconnector with a Single Boundary Point connection to form a Trading Unit amongst themselves and with other BM Units at the same site' ('P174') (References 3, 4 & 5) on 2 November 2005.

The Panel agreed that a draft Modification Report, based on its provisional views, should be issued for industry consultation. The Panel considered the responses to this consultation and confirmed their recommendation that P189 be made and implemented concurrently with P174.

1.2 Proposed Modification

P174 was approved by the Authority on 19 April 2005, and will be implemented on 2 November 2005. P174 allows BM Units associated with an Interconnector that has a single Boundary Point to participate in non-Sole Trading Units. The reference to a single Boundary Point was intended to include Interconnectors where the Interconnector circuits are physically proximate, whilst excluding those where the circuits are geographically remote.

Under P174 and P189, Interconnectors are classified into three different types, the distinction being made on the physical location of the Interconnector equipment as described in Figure 1.

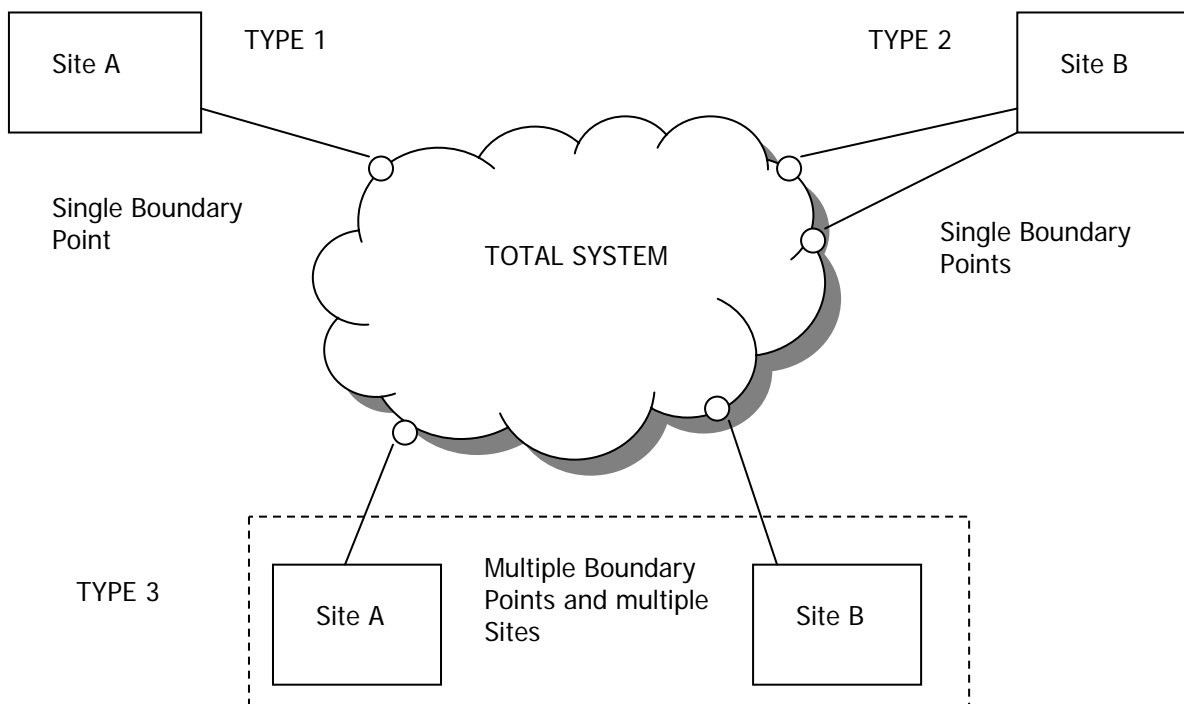


Figure 1: Diagrammatic representation of various Interconnectors

In Figure 1, the Interconnectors depicted are:

- **Type 1** – GB end of Interconnector located at one Site and with one Boundary Point on the Total System (e.g. the Moyle Interconnector);
- **Type 2** – GB end of Interconnector located at one Site but with two Boundary Points on the Total System (e.g. the Anglo-French Interconnector); and
- **Type 3** – GB end of Interconnector located at more than one Site (depicted here as having only one Boundary Point per Site, but could be more) i.e. a ‘multi-circuit’ Interconnector (e.g. the Scottish Interconnector pre-BETTA).

Modification Proposal P139 ‘Removal of Trading Unit Restriction on Interconnector Users’ would have allowed Interconnector BM Units associated with multi-circuit Interconnectors (such as the Scottish Interconnector) to participate in non-Sole Trading Units. The inclusion of such ‘multi-circuit’ Interconnectors was highlighted by the Authority in the decision letter rejecting P139 (References 6, 7 and 8). P174 was subsequently raised to allow BM Units associated with all Interconnectors except ‘multi-circuit’ Interconnectors such as the then Scottish Interconnector (which since the introduction of BETTA no longer exists) to form Trading Units. As such, it was intended that BM Units associated with the Moyle Interconnector to Northern Ireland and the Anglo-French Interconnector would be allowed to participate as non-Sole Trading Units under P174.

It has become apparent in preparing for the implementation of P174 that the Anglo-French Interconnector is precluded from forming Trading Units (as envisaged under P174) since it comprises two separate Boundary Points, albeit at the same physical site; the Code definition relates to a single Boundary Point. The Moyle Interconnector has just one Boundary Point and so is captured within P174. Therefore, despite the intention of P174 for BM Units associated with the Anglo-French Interconnector to have the ability to form a non-Sole Trading Unit, the restriction on BM Units associated with Interconnectors that have multiple Boundary Points frustrates the intent of P174, even when those sites are physically proximate.

Therefore, a clarification has been proposed to the P174 baseline to include Interconnectors where the circuits are physically proximate but have multiple Boundary points, whilst still excluding those where the circuits are geographically remote. The Proposer believes that this would ensure that the intent of P174 can be realised by BM Units associated with the existing Interconnectors and also any future Interconnectors of a similar configuration that may be created. It is considered that a definition whereby the Boundary Points of the Interconnector must all be at the same Site would meet this requirement (where a ‘Site’ is taken as having that meaning defined in Section K ‘Classification and Registration of Metering Systems and BM Units’).

1.3 Issues Raised by the Proposed Modification

The following issues were considered during the IWA of Proposed Modification P189:

- Perceived Defect;
- Proposed Clarification;
- Implementation Approach; and
- Assessment Against the BSC Objectives.

The first two issues are discussed in the IWA and are not covered further here.

1.4 Assessment of how the Proposed Modification will Better Facilitate the Applicable BSC Objectives

The Panel supports the Proposer's view that it is self-evident that P189 would clarify the intent of Approved Modification P174 and therefore better facilitate the achievement of Applicable BSC Objective (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;".

The Panel is of the view that P189 has no impact on any of the other Applicable BSC Objectives.

1.5 Alternative Modification

No Alternative Modification was identified.

1.6 Governance and Regulatory Framework Assessment

During the assessment of the Proposed Modification, the Group considered the wider implications of P189 in the context of the statutory, regulatory and contractual framework within which the Code sits, as required by the Code (Annex F-1, Paragraph 1 (g)). No impact was noted.

2 COSTS²

PROGRESSING MODIFICATION PROPOSAL	
ELEXON Resource	5 Man days equating to £ 930

IMPLEMENTATION COSTS				
		Stand Alone Cost	P189 Incremental Cost ³	Tolerance
Total Demand Led Implementation Cost		Zero	Zero	N/A
ELEXON Implementation Resource Cost		6 Man days £ 1,320	Zero	N/A
Total Implementation Cost		£ 1,320	Zero	N/A

ONGOING SUPPORT AND MAINTENANCE COSTS				
		Stand Alone Cost	P189 Incremental Cost ³	Tolerance
Total		Zero	Zero	N/A

² Clarification of the meanings of the cost terms in this section can be found in annex 2 of this document

³ Refers to cost above that of P174 if implemented concurrently in November 2005 release

3 RATIONALE FOR PANEL'S RECOMMENDATIONS

The Panel Members unanimously believed that it was self-evident that Proposed Modification P189 would clarify the intent of Approved Modification P174. This was due to P189 realising the benefits perceived by the Proposer, the P174 Modification Group and the Panel as well as by the Authority in approving P174, which were seen as better facilitating the achievement of Applicable BSC Objective (c). As such, the Panel believed that Proposed Modification P189 would better facilitate the achievement of Applicable BSC Objective (c), and should progress directly to the Report Phase with the recommendation that it should be approved.

The Panel Members unanimously agreed that the recommended Implementation Date for Proposed Modification P189 should be:

- 2 November 2005, should an Authority decision be received on or before 19 October 2005; or
- 10 Working Days after the Authority decision, should it be received after 19 October 2005.

It should be noted that although 19 October 2005 is the latest date by which an Authority Decision must be received in order to implement P189 concurrently with P174, an earlier decision would reduce the number of planning assumptions required by the P174 implementation project.

The Panel Members asked if the BSCCo were certain that the proposed clarification would allow the intent of P174 without introducing unintended consequences. It was the BSCCo's view that the legal drafting for P189 would allow the intent of P174 without leading to additional impacts. This was supported by both the Proposer and the Transmission Company. It was also the BSCCo's view that as far as could be seen, P189 would not preclude future Interconnectors from qualifying for the P174 provisions, although it was noted that details of the electrical configuration of such Interconnectors were unavailable. It was also noted that P189 should and could only be compared to the current baseline.

One Panel Member asked whether a new defined term of 'Interconnector Site' should be introduced, in order to avoid any possible repercussions resulting from the use of existing terms. However, it was the BSCCo's view that the legal drafting for P189 only allows Interconnectors on a single Site to qualify for the P174 provisions, and as such was sufficiently defined to avoid any such repercussions.

4 IMPACT ON BSC SYSTEMS AND PARTIES

An assessment has been undertaken in respect of BSC Systems and Parties and the following have been identified as potentially being impacted by the Proposed Modification.

4.1 BSCCo

The CVA Programme will need to implement changes to BSCP31 'Registration of Trading Units' to reflect which Interconnector BM Units may participate in non-Sole Trading Units and how that participation may be achieved. Changes to BSCP31 are currently being progressed as part of the implementation of P174. In order to allow the necessary changes to BSCP31 for P174 and P189 to be delivered concurrently, it will be necessary to take account of the potential impact of the P189 changes as part of the P174 implementation process. Should an Authority decision be received after 19 October 2005, the P174 and P189 changes would have to be delivered separately, incurring some small additional effort.

The Corporate Assurance team will be required to support the CVA Programme on the implementation of document changes to give effect to P189. This will require negligible extra effort above that necessary for implementation of P174.

The Customer Services Management team will need to implement changes to Local Working Instructions (LWIs) to reflect which and how Interconnector BM Units may participate in non-Sole Trading Units. If an Authority decision is received on or before 19 October 2005, this will require negligible extra effort above that necessary to support the implementation of P174. Should a decision be received after 19 October 2005, the P174 and P189 changes would have to be delivered separately and additional effort would be required.

4.2 Parties and Party Agents

Parties that own Interconnector BM Units associated with the Anglo-French Interconnector and/or BM Units connected by Contiguous or Dedicated Assets to Interconnector BM Units associated with this Interconnector would be able to participate in Class 5 Trading Units as described in the P174 baseline.

5 IMPACT ON CODE AND DOCUMENTATION

5.1 Balancing and Settlement Code

The legal text may be found in annex 1 of this document.

Section K will require amendment to allow Interconnector BM Units associated with an Interconnector with its Boundary Points at a single Site only to participate in non-Sole Trading Units with each other and/or with non-Interconnector BM Units that are linked to them by Contiguous or Dedicated Assets.

5.2 Code Subsidiary Documents

BSCP31 and its associated forms will require amendment to reflect which Interconnector BM Units may participate in non-Sole Trading Units and how that participation may be achieved.

6 SUMMARY OF CONSULTATIONS

A consultation on the draft Modification Report was issued to the industry on 13 June 2005 with responses due on 24 June 2005. Six responses were received, representing 37 Parties. The responses may be seen in full in annex 3 of this document.

Consultation question	Respondent agrees	Respondent disagrees	Opinion unexpressed
Do you agree with the Panel's views on P189 and the provisional recommendation to the Authority contained in the draft Modification Report that P189 should be made?	5 (32)	0	1 (5)
Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?	6 (37)	0	0
Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P189?	6 (37)	0	0

Of the respondents who expressed an opinion, there was unanimous agreement with the Panel's recommendation that since P189 delivered the intent of P174, it would better facilitate the achievement of Applicable BSC Objective (c) and as such, should be made. The respondent who did not express an opinion did not disagree with P189 itself, but expressed concern at setting a precedent for Trading Units being formed where at least one BM Unit has more than one Boundary Point. However, this

respondent acknowledged that some power stations currently have more than one Boundary Point and are able to use all of them in a single Trading Unit.

The respondents were unanimous in their agreement with the Panel that the legal text correctly addressed the issue highlighted under P189. The respondents were also unanimous in their support for the Implementation Date of 2 November 2005 for P189, with the majority noting that it would be more efficient to implement P189 concurrently with P174.

The Panel noted the unanimous support from the respondents (of those who expressed an opinion) for the Proposed Modification, and for the legal text and Implementation Date. The Panel also noted the issue that was raised by the neutral respondent, but agreed that it was outside the scope of P189.

7 IMPLEMENTATION APPROACH

If approved, P189 would be implemented as part of a scheduled release on a Settlement Day basis, such that its provisions would only apply to Settlement Days post the Implementation Date.

The recommended Implementation Date for Proposed Modification P189 is:

- 2 November 2005, should an Authority decision be received on or before 19 October 2005; or
- 10 Working Days after the Authority decision, should it be received after 19 October 2005.

It should be noted that, although 19 October 2005 is the back stop date for implementing P189 concurrently with P174, an earlier decision would reduce the number of planning assumptions required by the P174 implementation project and provide additional certainty to the industry.

8 DOCUMENT CONTROL

8.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	10/06/05	Change Delivery	Tom Bowcutt	Peer Review
0.2	10/06/05	Change Delivery	Dorcas Batstone	Technical Review
0.3	13/06/05	Change Delivery	Industry	For Consultation
0.4	27/06/05	Change Delivery	Sarah Jones	Technical Review
0.5	01/07/05	Change Delivery	Alex Grieve	Quality Review
0.6	06/07/05	Change Delivery	Panel	For Panel
1.0	15/07/05	Change Delivery	Authority	For Decision

8.2 References

Ref	Document	Owner	Issue date	Version
1	P189 Modification Proposal http://www.elexon.co.uk/documents/modifications/189/P189.pdf	BSCCo	23/05/05	N/A
2	P189 Initial Written Assessment http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2005_-_093_-_papers/93_006.pdf	BSCCo	03/06/05	N/A
3	P174 Assessment Report http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2004_-_085_-_Papers/85_009a.pdf	BSCCo	05/11/04	1.0
4	P174 Final Modification Report http://www.elexon.co.uk/documents/modifications/174/P174MR10.pdf	BSCCo	10/12/04	1.0

5	P174 Authority Decision Letter http://www.elexon.co.uk/documents/modifications/174/P174_Ofgem_Decision.pdf	Ofgem	19/04/05	N/A
6	P139 Assessment Report http://www.elexon.co.uk/documents/modifications/139/P139AR10.pdf	BSCCo	05/12/03	1.0
7	P139 Final Modification Report http://www.elexon.co.uk/documents/modifications/139/P139MR_FINAL_10_For_Authority.pdf	BSCCo	22/01/04	1.0
8	P139 Authority Decision Letter http://www.elexon.co.uk/documents/modifications/139/P139_Ofgem_Decision.pdf	Ofgem	20/07/04	N/A

ANNEX 1 LEGAL TEXT

Attachment 1 contains the legal text for Proposed Modification P189.

ANNEX 2 CLARIFICATION OF COSTS

There are several different types of costs relating to the implementation of Modification Proposals. ELEXON implements the majority of Approved Modifications under its CVA or SVA Release Programmes. These Programmes incur a base overhead which is broadly stable whatever the content of the Release. On top of this each Approved Modification incurs an incremental implementation cost. The table of estimated costs of implementing the Proposed/Alternative Modification given in section 2 of this report has three columns:

- **Stand Alone Cost** – the cost of delivering the Modification as a stand alone project outside of a CVA or SVA Release, or the cost of a CVA or SVA Release with no other changes included in the Release scope. This is the estimated maximum cost that could be attributed to any one Modification implementation.
- **Incremental Cost** - the cost of adding that Modification Proposal to the scope of an existing release. This cost would also represent the potential saving if the Modification Proposal was to be removed from the scope of a release before development had started.
- **Tolerance** – the predicted limits of how certain the cost estimates included in the template are. The tolerance will be dependent on the complexity and certainty of the solution and the time allowed for the provision of an impact assessment by the Service Provider(s).

The cost breakdowns are shown below:

PROGRESSING MODIFICATION PROPOSAL	
ELEXON Resource	This is the ELEXON Resource requirement to progress the Modification Proposal through the Modification Procedures. This is estimated using a standard formula based on the length of the Modification Procedure.

TOTAL DEMAND LED IMPLEMENTATION COSTS
This is calculated as the sum of the total Service Provider(s) Cost and the total Implementation Cost. The tolerance associated with the Total Demand Led Implementation Cost is calculated as the weighted average of the individual Service Provider(s) Costs and Implementation Costs tolerances. This tolerance will be rounded to the nearest 5%.

ELEXON IMPLEMENTATION RESOURCE COSTS
Cost quoted in man days multiplied by project average daily rate, which represents the resources utilised by ELEXON in supporting the implementation of the release. This cost is typically funded from the "ELEXON Operational" budget using existing staff, but there may be instances where the total resources required to deliver a release exceeds the level of available ELEXON resources, in which case

additional Demand Led Resources will be required.

The ELEXON Implementation Resource Cost will typically have a tolerance of +/- 5% associated with it.

ONGOING SUPPORT AND MAINTENANCE COSTS	
ELEXON Operational Cost	Cost, in man days per annum multiplied by project average daily rate, of operating the revised systems and processes post implementation.
Service Provider Operation Cost	Cost in £ per annum payable to the Service Provider(s) to cover staffing requirements, software or hardware licensing fees, communications charges or any hardware storage fees associated with the ongoing operation of the revised systems and processes.
Service Provider Maintenance Cost	Cost quoted in £ per annum payable to the Service Provider(s) to cover the maintenance of the amended BSC Systems. Note that from 1 January 2005, Service Provider Maintenance costs will be covered by a fixed contractual charge and so any Modification Proposals implemented after this date will not incur an ongoing Service Provider Maintenance cost.

ANNEX 3 CONSULTATION REPONSES

Attachment 2 contains the responses to the consultation on the draft Modification Report.