



FEBRUARY 2003

**INITIAL ASSESSMENT OF
MODIFICATION PROPOSAL P117 -
RECTIFICATION OF PAST
NOTIFICATION ERRORS (PNES)**

Prepared by ELEXON Limited

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I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	05/02/03	Joanne Ellis	Change Delivery / Service Delivery	Initial draft
0.2	06/02/03	Joanne Ellis	Change Delivery	Technical Review
0.3	06/02/03	Joanne Ellis	Change Delivery	Quality Review
1.0	07/02/03	Joanne Ellis	The Panel	First Issue

b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	energywatch
Core Industry Document Owners	Various

c References

Reference	Document	Owner	Issue Date	Version
1	P117 Modification Proposal	ELEXON	29/01/03	1.0

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1 SUMMARY

Modification Proposal P117 'Rectification of Past Notification Errors (PNEs)' (P117), included in Annex 1, was raised on 29 January 2002 on behalf of the Balancing and Settlement Code Panel ('the Panel') in accordance with Paragraph F2.1.1(d)(iv) of the Balancing and Settlement Code ('the Code'). P117 was raised following a discussion of paper 57/014, which outlined the requirement for clarification in the Code regarding the rectification of PNEs.

An initial assessment of P117 has identified that a clarification is required to be inserted into Paragraph P6.5.1 of the Code. A copy of the legal text for this Modification Proposal is provided in Annex 2.

No major issues have been identified by this Initial Assessment. Issues have been raised that will need to be taken into account by the Panel when determining how the process for rectification of PNEs should be carried out. These issues do not impact the implementation of P117. Further details can be found in section 12 of this document.

On the basis of this Initial Written Assessment, the Panel is invited to:

- a) **AGREE that the Proposed Modification P117 should be made;**
- b) **AGREE a provisional Implementation Date for the Proposed Modification P117 of 15 Business Days after the date of the Authority's decision.**
- c) **AGREE that Modification Proposal P117 should be submitted to the Report Phase in accordance with section F2.7 of the Code;**
- d) **AGREE that the draft Modification Report be issued for consultation and submitted to the Panel meeting of 13 March 2003;**

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd. on behalf of the Balancing and Settlement Code Panel, in accordance with the terms of the Code. The Code is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the Code.

3 DESCRIPTION OF MODIFICATION PROPOSAL

P117 seeks to amend Section P6.5.1(c) of the Code to allow for adjustments associated with PNEs to be taken into account in either a Post-Final Settlement Run or an Extra-Settlement Determination as determined by the Panel.

Under Section F2.1.1(d) of the Code, the Panel can raise a Modification Proposal on the recommendation of BSCCo to rectify minor inconsistencies, manifest errors or other minor consequential changes, or if they believe it would better facilitate the objective in Condition C3(3)(d) of the Transmission Licence, promoting efficiency in the implementation of the balancing and settlement arrangements. At their meeting of 16 January 2003 the Panel agreed that a Modification Proposal should be raised to allow Extra-Settlement Determinations to be carried out to rectify PNE claims. The Panel agreed that it would create flexibility for allowing PNEs to be rectified in the most efficient manner

and hence better facilitating Applicable BSC Objective (d), promoting efficiency in the implementation of the balancing and settlement arrangements.

Section P6 of the Code allowed Parties to submit PNE claims for any Volume Notification which occurred between Go-Live and the date that Modification Proposal P37 'To provide for the remedy of past errors in Energy Contract Volume Notifications and in Metered Volume Reallocation Notifications' (P37) was implemented (20 May 2002). These claims had to be made within a 10 day window, from D+5 to D+15 from the day of the Authority's decision (where D is the Implementation Date of P37).

Section P6.5.1 of the Code currently states that where the Panel determines that a PNE occurred and should be rectified, adjustments shall be taken into account in the next Settlement Run. If the Final Reconciliation Settlement Run has already taken place the Code only allows adjustments to be taken into account in a Post-Final Settlement Run and does not allow the use of an Extra-Settlement Determination.

P117 proposes to allow the Panel to determine that a rectification of a PNE be carried out by either a Post-Final Settlement Run or an Extra-Settlement Determination, as appropriate. This will allow the rectification of PNEs to be carried out in the most efficient manner possible and brings Section P6 in line with the process used for Trading Disputes, introduced under Modification Proposal P61 'Ad Hoc Adjustments to Settlement involving material errors without resorting to Ad Hoc Settlement Runs' (P61).

P61 removed the use of Ad Hoc Settlement Runs which could be used as many times as necessary and introduced one Post-Final Settlement Run and/or the use of Extra-Settlement Determinations for Trading Disputes. The process for P6 was only changed to allow the use of a Post-Final Settlement Run.

The difference between the two types of determination are as follows;

Post-Final Settlement Run	A Settlement Run that can be carried out only for a whole Settlement Day, but that can only be carried out once. It will be carried out by the Settlement Administration Agent (SAA). A Post-Final Settlement Report will be produced at the end;
Extra-Settlement Determination	A calculation for a Settlement Day or part thereof, carried out outside of a Settlement Run. It may be used on an estimated or approximated basis as the Panel decides is appropriate under the circumstances. It may be carried out by the SAA but may equally be carried out by BSCCo.

Under the current provisions of the Code it is necessary for the Post-Final Settlement Runs for any days that are potentially affected by a claim under Section P6 to be held back until such time that the Panel determines if the claims are to be upheld or not. This is not the most efficient way of handling the situation as it may lead to non P6 disputes being held back for a considerable amount of time. It should be noted that at its meeting of 4 February 2003 the Supplier Volume Allocation Group agreed to recommend to the Trading Disputes Committee that Post-Final Settlement Runs be run for 20 March 2001 to 16 April 2001 be carried out. These Post-Final Settlement Runs could potentially include Settlement Days affected by the PNE claims. P117 proposes to increase the efficiency of this process and allow the Panel to use its discretion to determine that an Extra-Settlement Determination be used either after a Post-Final Settlement Run has been carried out or instead of a Post-Final Settlement Run for the PNE claims.

4 IMPACT ON BSC SYSTEMS AND PROCESSES

No impact has been identified.

5 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

No impact has been identified.

6 IMPACT ON DOCUMENTATION

6.1 Impact on Balancing and Settlement Code

BSC Section	Potential Impact of Proposed Modification
P: Energy Contract Volumes and Metered Volume Reallocations	Changes to section P6 to allow the adjustments agreed by the Panel to be carried out by either an Extra-Settlement Determination or by a Post-Final Settlement Run.

6.2 Impact on Code Subsidiary Documents

No impact identified

6.3 Impact on Core Industry Documents

No impact identified.

6.4 Other Documents and Processes

No impact identified.

7 IMPACT ON OTHER CONFIGURABLE ITEMS

No impact identified.

8 IMPACT ON ELEXON

Area of Business	Potential Impact of Proposed Modification
ELEXON Systems	Should the Extra-Settlement Determinations be carried out using ELEXON systems rather than BSC Agent Systems, the data will need to be retained by ELEXON for Audit purposes.
ELEXON Procedures	There will be an impact on the P6 team working procedures and this may mean that Local Work Instructions need to be updated. Should Extra-Settlement Determinations be

	executed by ELEXON there will be a potential impact on the work to be carried out by the Service Delivery team in processing the calculations.
Other (e.g. costs, staffing, etc.)	Additional Panel meetings may be needed to discuss the process of how the P6 claims should be rectified.

9 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

No impact identified.

10 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

BSC Agent Contract	Potential Impact of Proposed Modification
PwC (BSC Auditor, Certification Agent)	Possible impact.

11 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

This Initial Assessment indicates that no further work is required to define or assess the proposed amendments to the Code and other documents and processes. ELEXON therefore recommends that P117 be submitted directly to the Report Phase with a provisional recommendation to the Authority that P117 be approved with an Implementation Date of 15 Working Days after the date of an Authority decision. The draft Modification Report, including consultation responses, will be presented to the Panel at their meeting to be held on 13 March 2003.

12 ISSUES

No major issues were identified during this Initial Assessment. Several issues have been raised that will need to be taken into account by the Panel when determining if a Post-Final Settlement Run or an Extra-Settlement Determination should be used for rectification of PNEs. These issues are detailed below, for information, but do not impact the implementation P117:

- Allowing the use of Extra-Settlement Determinations is consistent with the approach taken for Trading Disputes. In deciding whether an Extra-Settlement Determination can be used the Panel will need to be assured of the relative accuracy of this approach and the potential effect on BSC Party liabilities if PNE claims are settled under an Extra-Settlement Determination;
- Management of the data from any Extra-Settlement Determinations within the BSC Systems and BSCCo systems to ensure that all data is available for audit purposes; and
- Parties, Party Agents and BSC Agents will be required to retain any data relevant to claims made under Section P6 of the Code so that an Extra-Settlement Determination can be carried out. This is being considered as part of P107 'Data Retention Requirements for Post-Final Trading Disputes' (P107). The P107 Assessment Report will be presented to the Panel on 14 February 2003. It should be noted that should P107 be approved it may be necessary for the Panel to issue a list of the dates that could be affected by PNEs to ensure that the data is retained by all the relevant parties.

ANNEX 1 MODIFICATION PROPOSAL

Modification Proposal	MP No: P117 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Rectification of Past Notification Errors (PNEs)	
Submission Date <i>(mandatory by proposer):</i> 29 January 2003	
<p>Description of Proposed Modification <i>(mandatory by proposer):</i></p> <p>Modification Proposal P37 was raised in September 2001. The basic thrust of P37 was that, on a one off basis, past Energy Contract Volume Notifications (ECVNs) or Metered Volume Reallocation Notifications (MVRNs) should be amenable to amendment on the basis of a successful claim that such Volume Notifications were erroneous. The Authority directed that the Balancing and Settlement Code (the Code) should be amended to give effect to P37 and the arrangements are now enshrined in the Code, largely in clause 6, section P.</p> <p>Section P6 of the Code allowed Parties to submit PNE claims for any Volume Notification which occurred between Go-Live and the date that P37 was implemented (20 May 2002). These claims had to be made within a 10 day window, from D+5 to D+15 from the day of the Authority's decision.</p> <p>Section P6.5.1 of the Code states that where the Panel determines that a PNE occurred and should be rectified, adjustments shall be taken into account in the next Settlement Run or if the Final Reconciliation Settlement Run has already taken place such adjustments shall be taken into account in Dispute Final (DF) Run.</p> <p>This new Modification proposes to allow any required adjustments to Settlements to be processed outside the defined Settlement Runs if necessary. This will create the flexibility for PNEs to be rectified in the most efficient manner.</p>	
<p>Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i></p> <p>Modification P61 aimed to remove Ad Hoc Settlement Runs as the means to effect agreed adjustments to settlement data. The Modification Report for P61 proposed that Trading Disputes be settled by:</p> <ol style="list-style-type: none"> a) Applying the correction at the next convenient Timetabled Reconciliation Run; or b) Using a single DF Run post the Timetabled Final Reconciliation Run; or c) Using an Extra-Settlement Determination. <p>Modification P61 was approved on 28 August 2002 with an implementation date of 10 December 2002. The legal text included a number of changes where the term 'Ad Hoc Settlement Run' was replaced with 'Dispute Final Run or Extra-Settlement Determination'. However this change was not applied in full to Section P6.5.1(c).</p> <p>The outcome of P61 is that Section P6.5.1 (c) of the Code still mandates the use of DF Runs, without the option to use an Extra-Settlement Determination, for the correction of PNEs.</p> <p>This is the only remaining reference in the Code to DF Runs without the option to use an Extra-Settlement Determination. It is believed that this outcome of P61 was not intended.</p>	

Modification Proposal	MP No: P117 (mandatory by BSCCo)
<p>Impact on Code <i>(optional by proposer):</i></p> <p>Section P6.5.1(c) to be amended to allow the adjustment to be carried out using an Extra-Settlement Determination as shown in the draft legal text below:</p> <p>Section P <i>(Version 7.0)</i></p> <p><i>Paragraph 6.5.1 of Section P shall be amended as follows:</i></p> <p>Where the Panel determines that a Past Notification Error occurred and should be rectified:</p> <ul style="list-style-type: none"> a) the Panel shall determine what adjustments are required to the relevant Account Bilateral Contract Volumes, Metered Volume Fixed Reallocations and/or Metered Volume Percentage Reallocations (as the case may be) in order to rectify the Past Notification Error as determined by the Panel; b) such adjustments shall be made as soon as is practicable, and shall be taken into account in the next Settlement Run for the relevant Settlement Period after such adjustments have been made. c) if the Final Reconciliation Settlement Run for the relevant Settlement Period has already taken place before the Panel has made its determination under 6.5.1, such adjustments shall be made as soon as is practicable, and shall be taken into account in a Post-Final Settlement Run or <u>Extra-Settlement Determination</u> for the relevant Settlement Period after such adjustments have been made. 	
<p>Impact on Core Industry Documents <i>(optional by proposer):</i></p> <p>None identified</p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i></p> <p>None identified</p>	
<p>Impact on other Configurable Items <i>(optional by proposer):</i></p> <p>None identified</p>	
<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i></p> <p>The Modification Proposal has been raised by the BSC Panel on the recommendation by BSCCo, in accordance with section F2.1.1 (d) (v) and (i). This proposal will rectify a minor inconsistency in the Code and would also better facilitate the objective in Condition 7A (3) (d) of the Transmission Licence, promoting efficiency in the implementation and administration of the balancing and settlement arrangements.</p>	

Modification Proposal	MP No: P117 <i>(mandatory by BSCCo)</i>
Details of Proposer: Name: BSC Panel Organisation: Telephone Number: Email Address:	
Details of Proposer's Representative: Name: Modifications Secretary Organisation: ELEXON Telephone Number: 020 7380 4100 Email Address: chris.rowell@elexon.co.uk	
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	
Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	

ANNEX 2 LEGAL TEXT

See attached document for a red lined version of the Legal Drafting for P117 (P117 Legal Drafting V2).