

ASSESSMENT REPORT for Modification Proposal P232

‘Black Start and Fuel Security Compensation and Single Imbalance Price Derivation’

Prepared by: P232 Modification Group

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.¹

Proposed Modification P232 seeks to improve transparency regarding the compensation arrangements pursuant to a Black Start Period or Fuel Security Code (FSC) event. It also develops a methodology for the calculation of the Single Imbalance Prices (SIP) which would apply for the Settlement Periods contained within a Black Start Period or FSC event. Section G of the Balancing and Settlement Code (BSC) provides high level details of the compensation arrangements associated with a Black Start Period or FSC incident, however, certain areas would benefit from further clarification. In addition to providing clarification, the Proposed Modification allows an extra 60 Business days (after the submission of a claim) for a Party to submit extra evidence for the Panel to consider.



Alternative Modification P232 differs from the Proposed in the process for determining the timetable for claims submission by excluding the extra 60 Business Days (after the submission of a claim) for a Party to submit additional evidence for the Panel to consider.

Another Assessment Report regarding processes for returning the market back to normal operations as a result of a Black Start Period or FSC event (P231) was issued in parallel with this document.

MODIFICATION GROUP’S RECOMMENDATIONS

The P232 Modification Group invites the Panel to:

- **AGREE** a provisional recommendation that Proposed Modification P232 **should not** be made;
- **AGREE** a provisional recommendation that Alternative Modification P232 **should** be made;
- **AGREE** a provisional Implementation Date for the Proposed Modification, of the next planned BSC Systems Release which falls at least **four months** after an Authority decision has been received;
- **AGREE** a provisional Implementation Date for the Alternative Modification, of the next planned BSC Systems Release which falls at least **four months** after an Authority decision has been received;
- **AGREE** the draft legal text for Proposed Modification P232 and the Alternative Modification P232;
- **AGREE** that Modification Proposal P232 be submitted to the Report Phase; and
- **AGREE** that the P232 draft Modification Report be issued for consultation and submitted to the Panel for consideration at its meeting of 14 May 2009.
- **NOTE** there will be a cost saving if P231 and P232 are implemented together.

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¹ The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>.

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1 SUMMARY

Background

P232 has been raised by National Grid and the P232 solution is based on the discussions from Issues 32 'Black Start' and 33 'Fuel Security Code', to provide transparency with respect to the compensation arrangements BSC Parties are to follow in an event of a Black Start Period or FSC event, and to develop a methodology for the calculation of a Single Imbalance Price, which can be applied during a Black Start Period or FSC event.

Impacts:

- **BSC Parties:** The Transmission Company, Generators, Suppliers, Licence Exemptable Generators and BSCCo.
- The Grid Code.
- **BSC Agents:** SAA

Implementation Costs

Central implementation costs:

- **£6,820 for implementation as part of a BSC Systems Release**
- **£14,520 for implementation as a stand-alone Release**

(further cost savings are expected if P232 is to be implemented in conjunction with P231)

Operational Costs (per year): £0

Supplier/Supplier Agent implementation costs: £0

Implementation Approach

The Group recommend an Implementation Date for the Proposed Modification for the next planned BSC Systems Release which falls at least 4 months after an Authority Decision has been received.

The Group's preference is that P232 be included in the November 2009 BSC release together with P231, so as to realise the benefits of these modifications as soon as possible.

Further details can be found in Section 4.

Modification Group's identified Benefits and Drawbacks under Applicable BSC Objectives (b), (c) and (d)

(Summary of arguments in Section 7)

Benefits:	Drawbacks:
<ul style="list-style-type: none"> The implementation of P232 will result in a more transparent price setting mechanism and clearer compensation arrangements when a Black Start Period or FSC event occurs, thereby providing market participants a more efficient and cost effective process under the BSC; It will mean a greater understanding for participants who need to recover costs, by improving the efficiency of the claims process, and providing clarity of their role; and Whilst noting the requirement for participants to comply with instructions from the Transmission Company, P232 would, by virtue of making the claims process more transparent, provide less incentive to deviate from those instructions for commercial reasons. 	<p>There are no foreseen drawbacks</p>

Modification Group's Final Recommendation

The Modification Group recommends that the BSC Panel agrees that:

- Proposed Modification P232 should not made; and**
- Alternative Modification P232 should be made.**

2 WHY CHANGE?

In the event of a FSC event or Black Start Period BSC Parties are expected to adhere to certain activities which are outlined within the BSC. Issue 32 'Black Start' and Issue 33 'Fuel Security Code' were raised to consider and develop requirements to enable the BSC Panel, BSC Parties, BSCCo and BSC Agents to fulfil their obligations in a transparent and timely manner.

P232 seeks to:

- Clarify the compensation arrangements and procedures for those BSC Parties who have been given an Emergency Instruction during a Black Start Period or a FSC direction from the Secretary of State; and
- Provide a methodology for calculating a Single Imbalance (cash-out) Price;

A description of a Black Start Period and FSC event is included below in Sections 2.1 and 2.2 respectively.

The Issue Groups also discussed the details of the procedures required by the Transmission Company, BSCCo and the industry for returning the market to normal operations. The changes from these discussions are being progressed as Modification Proposal P231.

2.1 What is a Black Start?

A 'Black Start' is a recovery process for restoring electricity on the Transmission System. Power stations need electricity from the Transmission System to start up and maintain their generators. If the Transmission System collapses, power stations would be unable to keep their generators running and as a result power stations would stop producing electricity.

Certain power stations have contracts with the Transmission Company (National Grid) where they will be able to initiate a Black Start if the Transmission System collapses. These power stations do not require an external source of energy to produce electricity. In most instances, such power stations would use diesel generators (or aero engines) to start larger generators and start generating in small 'pockets' throughout the country. In turn these 'pockets' are gradually connected to each other until the Transmission System is fully energised.

2.2 What is a Fuel Security Code Event?

A FSC event occurs when the Secretary of State exercises his powers under sections 34 and 35 of the Electricity Act 1989, to direct power stations or Transmission Licensees (National Grid) to operate in specific ways (for example a power station could generate more or less energy in order to balance the electricity grid). A FSC 'direction' can be issued to one or multiple participants and a single FSC direction or several distinct FSC directions can be issued over the course of an event.

Unless specified by the Department for Energy and Climate Change (DECC), formerly the Department for Business Enterprise and Regulatory Reform (BERR), information regarding a security period will be declared by National Grid to all impacted parties e.g. Generators, Distributors and other stakeholders in accordance with the Fuel Security Code.

3 P232 SOLUTION

In clarifying these arrangements, P232 establishes the specific obligations during a Black Start Period or FSC event on:

- the BSC Panel;
- BSCCo;

- BSC Parties (Suppliers and Generators);
- BSC Agents; and
- the Transmission Company.

For a full description of the original Modification Proposal as submitted by National Grid ('the Proposer'), please refer to the P232 Initial Written Assessment (IWA).

For the full record of the P232 Modification Group (also referred to as the 'Group') discussions, please refer to Appendix 3.

Changes will be made to the BSC to deliver the solution for P232, additionally the Group has developed draft processes and guidance that will be incorporated into a new BSCP (intended to contain information for P231 also). Appendix 4 is a requirements matrix that shows where in the BSC/BSCP the solution detail will be delivered.

3.1 Proposed Modification

3.1.1 Single Imbalance Price

P232 seeks to introduce a Single Imbalance Price calculation methodology for Settlement Periods which fall under a Black Start Period or FSC event by expanding BSC Section T1.6 to state that:

- a Single Imbalance Price should be derived by taking the mean of the System Buy Price (SBP) and System Sell Price (SSP) for a given Settlement Period over a pre-defined number of days (no contract notifications or Bids or Offers would be included) in order to seek to determine a 'proxy' for the bulk price of electricity during the Black Start Period or FSC event;
- the default approach would be to use the data over the previous 30 Settlement Days. However a Settlement Period that was subject to a FSC event or instruction, a Black Start Period or an Emergency Instruction would not be used and would be replaced with another appropriate historical Settlement Period;
- a Single Imbalance Price would be calculated for each of the 48 Settlement Periods in a Settlement Day. The relevant price from those 48 Settlement Periods would be used for the corresponding Settlement Period that occurs during the FSC event or Black Start Period. This means that each full Settlement Day within the FSC event or Black Start Period would have the same set of 48 prices, although the price may differ between Settlement Periods;
- the Panel would determine an alternative pricing methodology if the Panel deemed it to be more appropriate as a 'proxy' for the bulk price of electricity during the Black Start Period or FSC event;
- once the methodology has been agreed for the entire Black Start Period or FSC event, any review of the methodology which results in an adjustment, can be implemented going forward only (not retrospectively once it has first been agreed); and
- for Clock Change days that occur during the Black Start Period or FSC event, Settlement Periods 3 and 4 shall be excluded for a short day and be used twice for a long day. For Clock Change days that occur during the historical period, the period shall be increased to 31 days with the Clock Change day being discounted.

See Appendix 5 for details of other pricing options discussed by the P232 Group.

3.1.2 Compensation Arrangements

Operational Costs

'Warm up' or 'Hot Standby' Costs incurred when there is no corresponding change (a "relevant change") in Imports or Exports are allowed to be claimed as 'Avoidable Costs' (as defined in the BSC) for Lead Parties of BM Units who have received an Emergency Instruction under a Black Start Period.

Claim Application Process

- An application for compensation can be made:
 - in the case of a Black Start Period, by the Lead Party of BM Units who have received an Emergency Instruction during that Black Start Period (to clarify, any instruction from National Grid during a Black Start Period is to be considered an Emergency Instruction for the purposes of Black Start compensation); or
 - in the case of a FSC event, by the Lead Party of BM Units who have received a direction from the Secretary of State (or, if empowered by the Secretary of State to do so, National Grid) during that FSC event; or
 - in the case of a FSC event, by the Lead Party of BM Units who have received a direction from the Secretary of State (or, if empowered by the Secretary of State to do so, National Grid) which has been made in anticipation of a FSC event, even if the anticipated FSC event does not eventuate.
- An application for compensation can only be made:
 - in the case of Black Start for 'Avoidable Costs' (as defined in the BSC); or
 - in the case of a FSC event for 'Exceptional Costs' (as defined in the FSC) actually incurred (i.e. no advance payments);
- Any application for compensation is to be made up of the Claim form, a Statement of Claim, the total amount (£) being claimed and any supporting evidence;
- Claimants are allowed:
 - 20 Working Days (or such period that the Panel may determine) to submit a claim from the conclusion of a Black Start Period; and
 - 60 Days (or such period that the Panel may determine) to submit a claim from the conclusion of an FSC event (and in-between if required).
- Claimants wishing to request additional time to submit their claim should submit an 'Application to extend allocated time-frame for claim submission' within the above timescales.
- An extra 60 Business Days are to be allowed for the claimant to submit further evidence (although this evidence cannot increase the total amount (£) which was set out in the initial application for compensation to be claimed for);
- The Panel, or the Claims Committee, can ask for any extra evidence or information from the claimant (beyond the timescales set out above) as they see fit;
- Three Claims forms are to be developed, as follows:
 - a Black Start Period Claim form (which must be submitted within 20 Working Days from the end of the Black Start Period);
 - a FSC event Claim form (which must be submitted within 60 Days from the end of the FSC event, or within 60 Days from the end of an anticipation period for an FSC event); and
 - an 'Application to extend allocated time-frame for claim submission' form (which shall be submitted in advance of the deadlines as stated in the two bullet points above (20 Working Days or 60 days)).

- Interim payments (but only for 'Avoidable Costs' or 'Exceptional Costs' actually incurred) shall be applied for, and processed in, the same manner as for total or final claims;
- The Group determined two sets of cost data relating to all claims (and this data alone) are to be published:
 - The total amount (£) received in claim applications; and
 - The total amount (£) approved for payment.

Claims Committee for Claim Determination

The Panel may establish a Claims Committee, which shall be chosen by the BSC Panel and may consist of the BSC Panel, for the determination of all applications for compensation received from BSC Parties related to either a Black Start Period or a FSC event. Claims Committee decisions are Panel decisions. The following conclusions were drawn by the P232 Modification Group:

- The BSC Panel, or the Claims Committee as delegated, will determine the process for the determination of each individual claim;
- There are no limits on the use of technical experts or groups of experts to sit on a Claims Committee (or sub committee of the Claims Committee) to provide determinations or advise as to the veracity of the Claims;
- Meetings of the BSC Panel, or the Claims Committee as delegated, to consider Claims shall be confidential;
- Claims shall have a 'zero floor', meaning no negative determination is to be made; and
- Claims can be withdrawn by the Claimant at any stage of the process up until the determination is made.

Cost Recovery

If Ofgem require costs to be recovered under the BSC, the Group recommends use of a funding shares type methodology.

3.2 Alternative Modification

The Alternative Modification is the same as the Proposed Modification; however the fifth bullet point under the Claim Application Process in section 3.1.2 is to be removed, namely:

- An extra 60 Business Days are to be allowed for the claimant to submit further evidence (although this evidence cannot increase the total amount (£) which was set out in the initial application for compensation to be claimed for).

The rationale for the Alternative Modification is all claimable information (the claim, the statement of the claim and the supporting evidence) must be submitted by a definite deadline unless an extension is granted by the Panel, or some other deadline as determined by the Panel. The Group believes the time-scales for claim submission are adequate and already allow for a time extension request. Also, the extra 60 Business Days could slow down the claims determination process and there is already a facility in place for BSC Parties to apply for extra time. Under the Proposed Modification the extra 60 Business Days for evidence cannot lead to an adjustment of the amount claimed for, which could lead to either frustration from Parties who realise they should be claiming more, or Parties over-estimating their claimable amount.

4 IMPLEMENTATION

Responses from the P232 consultation and impact assessment have indicated that there are minimal costs from both the industry and BSC Agents in implementing the P232 solution. This is largely confined to updating internal procedures/Local Working Instructions and processes. There will be a cost associated with the drafting and progression of the new BSCP.

The P232 implementation approach is driven by the lead time for the documentation changes. Development and progression of the new BSCP, to the point of approval, will take 4 months. **Therefore implementation is proposed to be included in the nearest planned BSC Systems Release, which falls at least 4 months after an Authority decision has been received.** Although the Group prefers that P232 be implemented as soon as possible, there is a cost saving of approximately £8,000 if P232 is included in a standard BSC release.

This 4 month lead time includes internal drafting and review cycles for the BSCP, an industry consultation followed by the BSC Panel approval. The Panel would be responsible for agreeing any further amendments to this BSCP, although the Panel may wish to delegate this to a Panel Committee.

P231 and P232 are being progressed to identical timescales as there are cost savings in progressing and implementing P231 and P232 together. The Group has suggested that ideally, a single BSCP should be developed for both the P231 and P232 solution (assuming Authority approval is granted for P231 and P232) containing the BSC details regarding contingency arrangements. However, if required two separate BSCPs could be created, one for P231 and one for P232 respectively.

Rationale for inclusion of guidance in the new BSCP

This new BSCP would also contain guidance for market participants on the Black Start Recovery process, guidance on the FSC processes and include explanatory process diagrams. This type of guidance information has normally been contained in separate guidance notes published on the BSC Website and not in BSCPs. However, the Group believed that having all the relevant information in a single document is appropriate as in these extreme events it would be beneficial for market participants to obtain this information quickly and efficiently (alongside the BSCP structured processes). This is in contrast to having the same information attached to the Assessment Report or a stand alone guidance note, for which visibility could reduce over time. Therefore, the new BSCP should include the following:

- P231 Black Start Recovery Diagram;
- Guidance on the P231 Black Start Recovery process;
- P231 Black Start Recovery processes;
- Guidance on FSC events and directions;
- P232 Claims Application Process;
- P232 Black Start Period and Fuel Security Code Event Claims Forms;
- P232 Black Start Period or Fuel Security Code Event Request for Time Extension Form;
- P232 draft Claims Committee Terms of Reference; and
- P232 Claims Committee Guidance.

The Group also recommends the BSCP sits with the Panel, as a single document in a high-profile position will promote regular review and familiarity.

Both Modifications could be implemented as stand alone Modifications if the Authority were to reject either Modification or if it was recommended that P231 and P232 should be implemented separately. However, a more efficient route would be to implement P231 together with P232 and included as part of a standard BSC Systems release.

PROPOSED MODIFICATION IMPLEMENTATION COSTS²

		Stand Alone Cost	Incremental Cost	Tolerance
BSCCo Implementation Resource Cost		66 man days £14,520	21 man days £6,820	+/- 30%
Total Implementation Cost		£14,520	£6,820	+/- 30%

5 WHAT DID INDUSTRY THINK?

The P232 Group's initial views were issued for an industry impact assessment and consultation on the 25 February 2009. The sections below highlight the opinions expressed by respondents together with the final views of the Modification Group where applicable (included in italics):

5.1 Impact Assessment Responses

Two responses were received which are summarised below. For further details please see Attachment E:

Would the Proposed Modification P232 or the Alternative Modification P232, as outlined in the attached Requirements Specification, impact your organisation?

The two respondents replied there would be an impact, but without further details.

If impacted by the Proposed Modification P232 or the Alternative Modification P232, please provide (in a reasonable level of detail) a description of:

- **The impact, and any resulting changes required to your systems and / or processes;**
- **The costs of the above, broken down if possible between the different areas of impact; and**
- **The timescales which your organisation would require to implement the Proposed Modification (from an Authority decision)?**

One respondent replied that updating their systems should involve minimal impact and costs. The other replied there would be limited change to their procedures (impact of one day).

5.2 Consultation Responses

Nine responses were received which are summarised below. For further details please see Attachment D:

1) Do you believe Proposed Modification P232 would better facilitate the achievement of the Applicable BSC Objectives?

² 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

Respondents agreed unanimously with the Modification Groups view that P232 Proposed does better facilitate the applicable BSC Objectives.

Six respondents believe P232 better facilitates BSC Objective (b). Reasons provided were having processes in place will:

- allow smoother transition back to normal market operations;
- make it more efficient for both setting prices and compensating generators;
- help participants have a better understanding of the BSC procedures for Black Start Periods or FSC events; and
- introduce less disincentive to comply with the Transmission Company.

Two respondents believe P232 better facilitates BSC Objective (c). Reasons provided were that it provides greater clarity with regard to the single imbalance price; and assists the process by which Parties are able to recover costs that their competitors may not have incurred or even benefited from.

Eight respondents believe P232 better facilitates BSC Objective (d). Reasons provided were having a process in place will:

- reduce confusion and improve efficiency in the operation of the BSC;
- provide clarity to BSC Parties as to compensation arrangements and the claims application process; and
- provide assurance that the commercial interests of Parties are being considered.

One respondent initially believed that P232 did not better facilitate the BSC Objectives. However, when BSCCo contacted the respondent on whether they preferred the Proposed Modification to the current baseline (as opposed to the Proposed Modification compared to the Alternative) they altered their response to 'yes'.

2) Do you believe Alternative Modification P232 would better facilitate the achievement of the Applicable BSC Objectives?

Respondents agreed unanimously with the Modification Groups view that P232 Alternative does better facilitate the Applicable BSC Objectives. Respondents gave reasons very similar to Question 1).

One respondent felt the Panel could set out issues via an 'issues list' that it would expect to consider in setting prices. *The Group reiterated its initial thoughts that no guidance should be produced for pricing (see Appendix 3), as it believed the Panel would fairly and reasonably investigate any inputs into the Single Imbalance Price formula that cause the price to not, in the Panel's opinion, reflect the bulk price of electricity.*

3) Do you believe Alternative Modification P232 would better facilitate the achievement of the Applicable BSC Objectives when compared to the Proposed Modification?

Respondents agreed with a majority of eight 'for' and one 'against' with the Modification Groups view that the Alternative Modification would better facilitate the BSC Objectives when compared to the Proposed Modification.

Respondents in favour of the Alternative Modification felt it allowed Parties to request the length of time they require which will ensure claims are processed as expeditiously as possible; it more effectively recognises the role of the Panel; the extra time request would relieve some of the burden on smaller players; 60 days should be sufficient to submit claims; and it avoids the 'inefficient' proposed solution which allows new evidence to be submitted and the claim time to be adjusted.

The one respondent who believed the Proposed Modification would better facilitate the Applicable BSC Objectives when compared to the Alternative thought the timescales were clear, and allowed enough time to estimate what the claim was thought to be, then further time if the evidence (e.g. an engineers report) was not forthcoming.

4) Do you agree with an implementation date of four months after an Authority decision (this will allow for the new BSCP to be drafted) for both the Proposed and the Alternative?

Respondents unanimously believed that the four month timescale is appropriate, reasonable and relevant. Comments included: it should be as soon as possible, dependant upon how long the BSCP would take; and as long as BSCCo believes the documentation can be completed in time.

5) Do you believe introducing a 'zero floor' for the amount (£) of any Black Start compensation (i.e. BSC Parties who submit claims would not have to pay anything if the calculation resulted in there being a negative value: see section 4 on page 25 of the Assessment Consultation document for more information) is fair and reasonable?

Respondents agreed with a majority of eight 'for' and one 'against' that the 'zero floor' should apply. Comments received included:

- The compensation arrangements are to provide relief to Parties; it is not the intent of the BSC to charge Parties for making a claim;
- Parties should be given confidence to claim; Parties who have raised claims in good faith could be disadvantaged against Parties who do not; and
- Parties should not have to pay for actions taken during a Black Start Period.

One respondent proposed a £500 limit as a minimum which can be claimed, like the Trading Disputes Committee (TDC). *The Group believed that no minimum should apply (see Appendix 3, page 28) as it is difficult to ascertain now what types of claims would be submitted at the time.*

The one respondent who disagreed believed any 'over payment' to BSC Parties would ultimately be borne out by other BSC Parties, which, in principle, does not seem right, although they accepted having a zero floor could simplify the claims process. *The Group thought removing the 'zero floor' could also be a risk, as the possibility of payments from Parties as the result of making a claim could deter Parties from making that claim. Whilst Parties are obligated to follow instructions from the Transmission Company during a Black Start, there should not be any incentive for Parties to vary from those instructions based on how they believe the claims process would, or would not work. Furthermore, the Group felt the current drafting of the BSC did not envisage payments from Parties. .*

6) Do you believe there are any alternative solutions that the Modification Group has identified and not considered?

Seven of the nine respondents replied no, however two raised alternative solutions. One request was for a combination of the Proposed and the Alternative, where the submission period for claims would be a total maximum of 120 days and the only extension on top of this is if the Panel requests additional evidence to be provided by a party.

The respondent highlighted (and attempted to resolve) an issue in both solutions: the Proposed could result in the majority of Parties over-estimating the amount they are claiming for, and the Alternative could result in a lengthy claims process if the Panel provide lengthy extensions for time. The fixed time would provide both a guarantee of receiving 120 days to submit their claim and certainty for Parties that the claims process would not drag on indefinitely.

However, currently for Black Starts the BSC Section G3.3 states '... within the period of 20 Business Days (or such longer period as the Panel may approve in that case)', and for Fuel Security Events the FSC Part 5 5.03 states '... within 60 days (or such longer period as the Panel may approve in any case)'. If need be, the BSC

could be changed under this modification but the FSC is out of scope. The Group thought the BSC should not be amended as they preferred the flexibility in the Proposed and Alternative Modifications. The Group also concluded the Claims Committee do not need to see all the Claims before they begin to determine them.

The other issue raised was the Group/Panel should perhaps also consider using the MID (Market Index Data) average price instead of the SSP/SBP mean price to comprise the Single Imbalance Price. *The Groups conclusion from the Assessment Consultation (the MIDP is prone to market volatility and is influenced by its liquidity threshold, and did not therefore broadly reflect the bulk price of electricity as well as the proposed SIP methodology) was repeated and endorsed.*

The same respondent also raised the issue of changing the number of days in the historic period from 30 to either 28 or 35 to coincide with full working weeks. *The Group thought, with the lack of supporting rationale, this change would not have a significant positive impact on the outturn Single Imbalance Prices as proposed under P232, and also no supporting evidence as to why using 28 or 35 days would be more appropriate. It was reiterated that the 30 day average is what is used for determining historic Bid and Offer Prices if required under an FSC event and in the gas market.*

7) Does P232 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure?

Seven of the nine respondents replied no, however two raised a total of four issues. Also one respondent wanted the Group to note “the claims process must be as swift as possible to ensure that smaller players do not suffer commercially as a result of instructions under the extreme circumstances that may surround a Fuel Security event”.

1) The requirement for SAA to process single price data (page 12 of the Consultation document) already exists and there should not be additional costs associated with delivering this requirement.

This requirement was included to ensure a robust assessment from the Service Provider, which they completed and highlighted this functionality already exists within the SAA, therefore no changes are required.

2) In relation to ‘anticipation of receiving a Fuel Security Code direction’ (page 24 of the Consultation document), one respondent noted that FSC claims can be made in relation to costs incurred between the receipt of a Fuel Security direction and the commencement date of a Fuel Security Period, which may be later, contained in that notice.

This was the Group’s understanding as well, and the response was to ensure the wording within this Assessment Report correctly depicts that this is the case.

3) “For the avoidance of doubt all claims must be for costs (£) actually incurred to date” (page 24 of the Consultation document). If fuel is used, the cost of that fuel could be what was paid for it at some previous time, or the cost of replacing it at the time it is used, or the cost of replacing it economically with similar notice as it was originally bought plus the possible intervening lost opportunity if stocks are low. Similarly, the value of saved fuel could be what it cost or what it could be sold for. We note different interpretations and consequent materiality’s are possible.

The Group felt this is correct and that different accounting methods, such as cost or mark-to-market, could be employed within a Statement of Claim. It is envisaged the Panel will use experts, which could include professional accountants, to make the determination of claims. It could also be necessary (if this does not excessively delay the process) to wait until all claims are submitted before beginning the determinations.

4) Particularly with an increasing amount of wind generation expected in the coming years, as well as periods subject to an FSC or Black Start instruction being excluded from the Single Imbalance Price, any periods with zero or subzero prices must also be excluded to ensure Parties are not paying to generate.

The Group discussed whether these events are to be considered part of standard market operations or to be discounted, and concluded that it is difficult to determine future market conditions and fluctuations, and that it is best to leave this judgement to the Panel at the time. Further, it would require a prolonged period of zero or negative prices to impact the 30 day, and SBP-SSP averaging to such an extent that it could categorically be said that the single imbalance price produced would not reflect the bulk price of electricity. Therefore no further Settlement Periods (apart from Settlement Periods within a Black Start Period, Fuel Security Period and/or Emergency Instruction) are proposed to be excluded from the historical period.

6 WHAT ARE THE GROUPS CONCLUSIONS?

The Group agreed with the responses made during the P232 impact assessment and consultation, and did not change their views in light of the received responses.

Further details on the Group's discussions can be found in Appendix 3 of this document.

6.1 Implementation Dates

The Group unanimously supported the implementation approach as described in section 4. The Group also noted that there was a cost saving of approximately £8,000 if P232 was implemented in a standard release, as opposed to implementation outside a standard release. The Group also noted there would be additional cost savings if implemented along with P231.

6.2 P232 Quantifying benefits in financial terms

The Group found it difficult to quantify the benefits for P232 in financial terms, however made the following arguments in support of making a modification to the BSC:

- The current lack of a clear process is untenable in the long term and could prevent instructions being ignored or certain Parties unfairly penalised while helping the market return to normal operation;
- The lack of a clear process would mean that there would be widespread confusion within the industry, for example, where to look for the details of the process, what can be claimed, how this can be claimed, and who is responsible for making the determination;
- Although it was not possible to quantify the benefits in financial terms, it was agreed that there would be cost savings in having a clear transparent process; P232 puts in place a clear coherent process which means BSC Parties can be compensated efficiently and effectively and a transparent price calculation methodology would facilitate a more competitive market.
- There will be (if this process is implemented) cost savings in having this process document, which will outweigh any cost for the implementation of P232; and
- P232 clarifies the activities and roles of participants.

7 ASSESSMENT OF P232 AGAINST THE APPLICABLE BSC OBJECTIVES

The view of the Modification Group was that the Proposed Modification and the Alternative Modification **WOULD** better facilitate the achievement of Applicable BSC Objective (b) and (d), with some arguments made for (c), when compared to the current BSC baseline. The reasons for the Group's views are highlighted in the tables below:

BSC Objective (b): The efficient, economic and co-ordinated operation of the GB transmission system

For	Against
<p>Overall</p> <p>P232 better facilitates this objective as having processes in place would allow smoother transition back to normal market operations and is more efficient for both setting prices and compensating generators. It would help participants have a better understanding of the BSC procedures, and a way to recover their costs, for Black Start Periods or FSC events, therefore encouraging compliance with the Transmission Company.</p> <p>Proposed v Alternative</p> <p>The Group did not believe either of the Proposed and the Alternative Modification facilitated BSC Objective (b) better than the other.</p>	<p>None identified</p>

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	
For	Against
<p>Overall</p> <p>P232 better facilitates this objective as providing greater clarity and certainty with regard to the single imbalance price calculation would provide more confidence in the arrangements. It would also assist the process by which Parties are able to fairly recover their costs attributable to the Black Start Period or FSC event.</p> <p>Proposed v Alternative</p> <p>A few Group members made an argument for the Alternative, as by not requiring the Panel to wait for an additional 60 days for a Party to submit evidence they could potentially determine claims earlier, and an efficient resolution would better facilitate competition.</p>	<p>None identified</p>

BSC Objective (d): Promoting efficiency in the implementation and administration of the balancing and settlement arrangements	
For	Against
<p>Overall</p> <p>P232 better facilitates this objective as having a process in place for compensation (the claims application process) in light of a Black Start Period and/or FSC event will reduce confusion and improve efficiency in the operation of the BSC. It will provide clarity to the obligations on Parties and provide assurance that the commercial interests of Parties are being considered.</p>	<p>None identified</p>

BSC Objective (d): Promoting efficiency in the implementation and administration of the balancing and settlement arrangements	
For	Against
<p>Proposed v Alternative</p> <p>Four Modification Group members who voted selected BSC Objective (d) as being better facilitated under the Alternative. Two Modification Group members who voted selected BSC Objective (d) as being better facilitated under the Proposed.</p> <p>Those in favour of the Alternative believe this to be the most efficient process. The extra 60 Business Days are seen as unnecessary and believed the Panel would make a sensible decision regarding the time required for Parties to submit all the evidence for their claim. There is nothing to stop a Party from providing evidence to the Panel after this time but it would be at the Panel's discretion as to whether this is considered.</p> <p>Those in favour of the Proposed believe there is an advantage to Parties of having a guaranteed 60 Business Days on top of the 20 Working Days for Black Start Period claims or 60 Days for Fuel Security Claims already available to Parties.</p>	

8 P232 LEGAL TEXT AND BSCP

BSCCo developed the draft legal text, guidance note and BSCP for P232 which outlines the P232 processes and provided an explanation to the Modification Group. (This documentation was made available to industry during the P232 impact assessment and consultation).

The Group reviewed the draft legal text, BSCP and guidance note and unanimously agreed that the draft legal text delivered the intended solution for both the Proposed and the Alternative.

Draft legal text for the Proposed Modification is included as Attachment A, and the draft legal text for the Alternative Modification is included as Attachment B.

Compliance with the FSC

There was discussion within the Group around whether allowing - "An additional 60 Business Days will be allocated for submission of further evidence by a claimant arising from a FSC or Black Start event." – is against the principles of the FSC, which states "...Application must be submitted within 60 days (or such longer period as the Panel may in any case approve)." DECC were contacted, who advised allowing an extra 60 days for generators to submit evidence is not in conflict with the FSC.

Clock Change

During the drafting, it was picked up there was no definition within the BSC of Clock Change, and in some sections of the BSC it was undefined. The BSCCo and the Modification Group took the opportunity to define 'Clock Change' in Section Annex X-1: General Glossary, and also update this throughout the BSC. Please see either Attachment A or Attachment B for details.

BSCP

The draft BSCP is included as Attachment C. It contains the Claims Submission Process, the Black Start and Fuel Security Claim Application forms, the Time Extension Request form, the Draft Claims Committee Terms

of Reference and supporting guidance information (which the Group deems can be useful if a Black Start Period or a major FSC event were to take place).

9 RECOMMENDATIONS

The Group noted that there was still majority support for the P232 Alternative Modification, although one member who had previously chosen the Alternative Modification as their desired solution, switched to the Proposed, citing the reason that all claimants would have the additional 60 Business Days to submit their claim and would not have to rely on an extension being granted by the Panel.

9.1 Conclusions

Overall, within the Group there was therefore:

- A **UNANIMOUS** view that the Proposed Modification would better facilitate the achievement of the Applicable BSC Objectives when compared with the existing arrangements
- A **UNANIMOUS** view that the Alternative Modification would better facilitate the achievement of the Applicable BSC Objectives when compared with the existing arrangements (one member believed that all of (b), (c) and (d) were better facilitated, three members believed that both (b) and (d) were better facilitated, and two just (d) would be better facilitated.
- A **MAJORITY** view that the Alternative Modification would better facilitate the Applicable BSC Objectives when compared with the Proposed Modification. Those in favour of the Alternative cited Objectives (c) and (d) as they felt the process presented by the Alternative was the more efficient process. The two in favour of the Proposed cited Objective (d) as they felt the process presented by the Proposed gave Parties a guarantee of time to provide evidence for a claim, without having to request an extension from the Panel which may not go their way.

9.2 Final Recommendation to the Panel

Based on the above assessment, the Modification Group therefore agreed a MAJORITY final recommendation to the Panel that:

- The P232 Proposed Modification **SHOULD NOT** be approved;
- The P232 Alternative Modification **SHOULD** be approved; and
- P232 Alternative should be implemented in the same timeframe as P231, as part of the next BSC Systems Release at least four months after a decision has been received from the Authority.

For details of the Group's recommended Implementation Dates and legal text, please refer to Sections 4 and Attachments A and B respectively.

10 ESTIMATED IMPACT OF MODIFICATION ON SYSTEMS, PROCESSES, AND DOCUMENTATION

An initial assessment has been undertaken by BSCCo in respect of all BSC systems, documentation and processes.

a) Impact on BSC Systems and Processes

No impact anticipated on BSC Systems, as they currently must have the capability to cater for a Single Imbalance Price if required. This is likely to be via manual processes to enter this data into Settlement.

b) Impact on BSC Agent Contractual Arrangements

No significant impact anticipated.

c) Impact on BSC Parties and Party Agents

No day-to-day impact is anticipated for BSC Parties or Party Agents. There will be procedures which BSC Parties can now follow in relation to claiming compensation under a Black Start Period or FSC event. No impact for Party Agents.

d) Impact on Transmission Company

No impact anticipated, however National Grid will be asked to confirm any impact and whether legal drafting is in line with the Grid Code.

e) Impact on BSCCo

Area of Business	Impact of Proposed/Alternative Modification
Stakeholder Assurance	Local Work Instructions (LWI) are to be developed regarding BSCCo's role in assisting the BSC Panel or the Claims Committee (if delegated).
Implementation	BSCCo would need to implement the proposed changes. This process is likely to include Code Subsidiary Document drafting and education.

f) Impact on Code

Code Section	Impact of Proposed/Alternative Modification
B (The Panel)	The Panel are responsible for Panel Committee's and the delegation of powers, reference to the Claims Committee is required.
G (Contingencies)	This section is to include the application of the Single Imbalance Price methodology, updates to the Avoidable Costs and timetable for evidence submission.
P (Energy Contract Volumes and Metered Volume Reallocations)	Capitalisation of 'clock change' and 'clock change day'.
Q (Balancing Mechanism Activities)	Capitalisation of 'clock change' and 'clock change day'.
T (Settlement and Trading Charges)	Methodology for setting the Single Imbalance Price is to be updated in this section.
Annex X-1 (General Glossary)	Definition of 'Clock Change' and 'Clock Change Day'

A copy of the draft legal text to give effect to these changes can be found in Attachment A.

g) Impact on Code Subsidiary Documents

Document	Impact of Proposed/Alternative Modification
New BSCP	A new BSCP will document all the processes, forms and guidance
BSCP18 'Corrections to Bid-Offer Acceptance Related Data'	A reference to the process of entering Single Imbalance Cash-out Price into Settlement (in the new BSCP) should be included here.

Document	Impact of Proposed/Alternative Modification
SAA Service Description	The process of entering Single Imbalance Cash-out Price into Settlement documented as a requirement here
SAA User Requirements Specification	The process of entering Single Imbalance Cash-out Price into Settlement documented as a requirement here

h) Impact on Core Industry Documents/System Operator-Transmission Owner Code

Document	Impact of Proposed/Alternative Modification
Fuel Security Code	No changes will be made to or requested for the FSC, but any interaction between this and the P232 solution needs to be considered for the drafting of the P232 legal text.
Grid Code	It is assumed that no changes will be required to the Grid Code; however any interaction between this and the P232 solution needs to be considered.

i) Impact on Other Configurable Items

No impact anticipated.

j) Impact on BSCCo Memorandum and Articles of Association

No impact anticipated.

k) Impact on Governance and Regulatory Framework

No impact anticipated.

11 TERMS USED IN THIS DOCUMENT

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

Acronym/Term	Definition
BERR	Department for Business Enterprise and Regulatory Reform
BSC	Balancing and Settlements Code
BSCCo	Balancing and Settlements Code Company
BSCP	Balancing and Settlements Code Procedure
CAP	Credit Assessment Price
DECC	Department of Energy and Climate Change
FSC	Fuel Security Code
ISG	Imbalance Settlement Group
LWI	Local Work Instruction
MIP	Market Index Price
Ofgem	Office of Gas and Electricity Markets
PAB	Performance Assurance Board
PNE	Past Notification Error

SAA	Settlement Administration Agent
SBP	System Buy Price
SIP	Single Imbalance Price
SSP	System Sell Price
SVG	Supplier Volume Group
TDC	Trading Disputes Committee

12 DOCUMENT CONTROL

12.1 References

Ref.	Document Title	Owner	Issue Date	Version
1	Issue 32 Report	ELEXON	10/07/08	
2	Issue 33 Report	ELEXON	10/07/08	
3	P232 Initial Written Assessment	ELEXON	09/01/09	
4	The Fuel Security Code	DECC	10/07	
5	Fuel Security Code Guidance	DECC	10/07	
6	P232 Assessment Consultation Document	ELEXON	25/02/09	

APPENDIX 1: APPLICABLE BSC OBJECTIVES

For reference the Applicable BSC Objectives, as contained in the Transmission Licence, are:

- (a) The efficient discharge by the licensee [i.e. the Transmission Company] of the obligations imposed upon it by this licence [i.e. the Transmission Licence];
- (b) The efficient, economic and co-ordinated operation of the GB transmission system;
- (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;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the BSC Website at the [P232 Webpage](#).

Date	Event
23/12/08	Modification Proposal raised by National Grid
23/12/08	Issue Group 32 Report
23/12/08	Issue Group 33 Report
15/01/09	IWA presented to Panel
19/01/09	P232 Modification Group Terms of Reference developed
23/01/09	First Assessment Procedure Modification Group meeting held
29/01/09	Second Assessment Procedure Modification Group meeting held
13/02/09	Third Assessment Procedure Modification Group meeting held
17/03/09	Fourth Assessment Procedure Modification Group meeting held
20/03/09	Walkthrough of Legal Text held
09/04/09	Assessment Report to be presented to Panel

ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL³

Meeting Cost	£1,500
Legal/ Expert Cost	£0
Impact Assessment Cost	£5,000
ELEXON Resource	96 man days £24,660

MODIFICATION GROUP MEMBERSHIP

Member	Organisation	23/01	29/01	13/02	17/03	20/03 ⁴
David Jones	ELEXON (Chairman)	✓	✓	✓	✓	✓
Graeme Windley	ELEXON (Lead Analyst)	✓	✓	✓	✓	✓
Shafqat Ali	National Grid (Proposer)	✓	✓	✓	✓	✓
Garth Graham	Scottish and Southern	✓	✗	✓	✗	✗
Gary Henderson	SAIC	✓	✓	✓	✗	✗
Bill Reed	RWE	✓	✓	✓	✓	✓
Chris Stewart	Centrica	✓	✓	✓	✓	✓
Lisa Waters	Waters Wye	✓	✗	✗	✗	✗
Esther Sutton	E.ON UK	✓	✓	✓	✓	✓
Paul Mott	EDF Energy	✓	✓	✗	✗	✗
Edward Hunter	N Power	✓	✓	✓	✗	✗
Martin Mate	British Energy	✓	✓	✓	✓	✓
Hannah McKinney	EDF Energy	✗	✗	✓	✓	✗
Nicholas Bradford	EDF Energy	✗	✗	✓	✓	✗
Attendee	Organisation	23/01	29/01	13/02	17/03	20/03
Diane Mailer	ELEXON (Lawyer)	✓	✓	✓	✓	✓
Natalie Pike	ELEXON (Lawyer)	✗	✓	✗	✗	✗
John Lucas	ELEXON (Design Authority)	✓	✓	✓	✗	✓
Sarah Jones	ELEXON (Design Authority)	✗	✗	✗	✓	✗
Justin Andrews	ELEXON (Service Delivery)	✗	✓	✗	✓	✓
Claire Rozyn	Ofgem	✓	✓	✓	✓	✗
Jonathan Amos	Ofgem	✓	✗	✗	✗	✗

³ 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

⁴ This was not a formal Modification Group meeting, but an hour-long session to clarify the legal drafting

MODIFICATION GROUP TERMS OF REFERENCE

Modification Proposal P232 will be considered by the Governance Standing Modification Group and Settlement Standing Modification Group in accordance with the GSMG, SSMG and P232 Terms of Reference and the Appendix attached.

P232 – 'Black Start and Fuel Security Compensation and Single Imbalance Price Derivation'

Assessment Procedure

The Modification Group will carry out an Assessment Procedure in respect of Modification Proposal P232 pursuant to section F2.6 of the Balancing and Settlement Code.

The Modification Group will produce an Assessment Report for consideration at the BSC Panel Meeting on 09 April 2009.

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

- Confirm what further detail is required regarding the compensation arrangements pursuant to a Black Start or FSC event, and where this detail should be documented including:
 - Whether there should be a 'de-minimis threshold' and, if so, what it should be;
 - The timetable for submission of claims and admission of further evidence;
 - The timetable and process for progressing claims;
 - The treatment of interim claims; and
 - The publication of claims material and compensation decisions.
- Confirmation of the process for cost recovery under the BSC;
- Identify the impacts on BSC Parties, BSC Panel, BSCCo and the Transmission Company;
- Detail the formulation and composition of the claims committee;
- Confirm the further detail of the calculation of a single Imbalance Price, to determine whether this is the best methodology to use and to ensure the methodology is enduring to a range of possible FSC events, and to confirm the Panel's role in the process;
- Determine whether additional procedures introduced by P232 will necessitate the development of a new BSCP to facilitate the proposed claims process; and
- Determine which costs should constitute Avoidable Costs (in terms of a Black Start) and, with respect to what are determined as Exceptional Costs in the FSC, identifying the cost headings for dealing with FSC Claims.

APPENDIX 3: AREAS RAISED BY THE TERMS OF REFERENCE

This section outlines the initial conclusions of the Modification Group regarding the areas set out in the P232 Terms of Reference.

A) Single Imbalance Price

Proposal

P232 seeks to introduce a single imbalance price calculation methodology for all Settlement Periods which fall under a Black Start Period or FSC event (where the Secretary of State determines that a Single Imbalance Price should apply) by expanding BSC Section T1.6:

- A single imbalance price should be derived by taking the mean of the System Buy Price (SBP) and System Sell Price (SSP) for a given Settlement Period over a pre-defined number of days (no contract notifications or Bids or Offers would be included) in order to seek to determine a 'proxy' for the bulk price of electricity during the Black Start Period or FSC event.
- For the avoidance of doubt, a Single Imbalance Price would be calculated for each of the 48 Settlement Periods in a Settlement Day. The relevant price from those 48 would be used for the corresponding Settlement Period that occurs during the FSC event or Black Start period. In essence this means that each full Settlement Day within the FSC event or Black Start Period would have the same set of 48 prices.
- The default approach would be to use the data over the previous 30 Settlement Days. However a Settlement Period that was subject to a FSC event or instruction, a Black Start Period or an Emergency Instruction would not be used and would be replaced with another appropriate historical Settlement Period.
- The Panel would determine an alternative pricing methodology if the Panel deemed it to be more appropriate as a 'proxy' for the bulk price of electricity during the Black Start Period or FSC event.

Differing Methodologies for determining the Single Imbalance Price

Analysis of various different types of calculation for the Single Imbalance Price was provided to the Group and is attached in Appendix 5. This analysis shows the Single Imbalance Price calculated as proposed in this modification and associated calculations:

- The Single Imbalance Price for all Settlement Periods with the System Buy Price (SBP) and System Sell Price (SSP) for four different months of 2008 – March, June, September and December – as the data for the 30-day historic period.
- The Single Imbalance Price with the SBP and SSP using data from September 2008 as the 30-day historic period, and including the Median and Trim-mean (at 20%) for the same data to show a price comparison to the median.
- The Single Imbalance Price with the SBP and SSP using data from September 2008 as the 30-day historic period, and including the Credit Assessment Price (CAP) and Market Index Price (MIP) for the same period. The CAP is a fixed price (a single MWh value) set by the Credit Committee from forward price data which is used in Credit Cover calculations. The MIP is an indicative price which is calculated to reflect the price of wholesale electricity in Great Britain.
- The Single Imbalance Price with the SBP and SSP using data from 2007/ '08 and Summer 2008, therefore increasing the 30-day historic period to a 90-day historic period in Winter 2007/ '08 and Summer 2008. This can be compared with the use of the 30-day historic period as a potentially less volatile methodology.

In addition Appendix 5 contains a table containing the Single Imbalance Price using the proposed methodology for a Settlement Period 34 (SP34 16:30 – 17:00) in the month of September 2008 which

highlights price fluctuations within a single Settlement Period. Also a table containing a Single Imbalance Price using the proposed methodology for 4 September 2008 was produced, highlighting the various fluctuations over a single Settlement Date.

Discussion

The Group felt the Single Imbalance Price should broadly reflect the bulk price of electricity at the time; therefore using a forward price, which is used to calculate CAP was discounted. Also, CAP was felt to be inflexible as it does not alter between Settlement Periods, although it was questioned if a standard demand profile would apply when the market is under a Black Start or FSC event. The Group felt the MIDP is prone to market volatility and is influenced by its liquidity threshold, and did not therefore broadly reflect the bulk price of electricity as well as the proposed Single Imbalance Price methodology.

The Group considered using data relating to the past 90 Settlement Days rather than the proposed 30 days. However they concluded that any historic price based on a long duration (such as 90 days) wouldn't broadly reflect the bulk price of electricity at the time. Therefore using the most recent 30 days would be preferable. The Group also noted that the Gas market uses a similar 30-day average, and this methodology was seen as the best deterrent against participants creating or deliberately facilitating market failure.

Technical issues with the methodology, such as a clock change (if the event was to fall on a day with a clock change) and Credit Cover arrangements were raised. The group looked at a Clock Change solution and determined there are similar scenarios within the BSC which can be used to handle this situation. Credit Cover arrangements are to be covered under P231.

The Group thought the Single Imbalance Price should be set sufficiently high to encourage generators to generate (if required to do so) under Black Start market conditions, and a concern was raised as to whether the proposed Single Imbalance Price mean methodology was sufficiently high enough. The Group noted the methodology using the mean was, on average higher than a trim-mean or a median, and that the purpose of the price was that it should reflect the bulk price of electricity for all participants, not just for generators.

Finally the Group raised concerns about whether the price would be relevant for the entire FSC event as it was uncertain how long a such an event might last (a Black Start Period would not be expected to last more than a couple of weeks: see P231 for further background information). The Group discussed whether the BSC Panel should have the ability to adjust the Single Imbalance Price methodology at any stage during an FSC event or Black Start Period. It was recognised there would have to be an initial retrospective price setting, when they first set the price for the entire period. Members thought a future retrospective adjustment (which could be a possibility throughout an extended Black Start Period or Fuel Security Code event) could cause cash-flow and settlement problems. Therefore it should only be 'extreme circumstances' where the Single Imbalance Price methodology is adjusted and this should only be for prospective Settlement Periods.

An important distinction was made between adjusting a Single Imbalance Price and adjusting the methodology. The current methodology will provide a set of 48 prices, so any price change would result from a methodology change.

Guidance

It was suggested that guidance should be included to help the BSC Panel determine the Single Imbalance Price methodology if they felt the methodology proposed by P232 was inappropriate at the time.

The merits of producing guidance and therefore what guidance should be included were worked on by the Group. One member of the Group suggested that there should be guidance options in the BSCP setting out alternative methodologies should the BSC Panel decide the main Single Imbalance Price methodology (as set out in P232) was not broadly reflective of the bulk price of electricity at the time, these included:

- Using more or less days than the 30 day mean (but continuing to produce a price for each Settlement Period);

- Using a 30 day mean, but linking this to a pre-determined market index (this could be based on a number of 'sub-indexes', such as gas, oil, coal and manufacturing); and
- Using the 30 day average for the first 30 day period, then using (i) another price, or (ii) indexing the price in accordance with the second bullet above or the proposed methodology.

An opposing viewpoint was any guidance presented could have a direct commercial impact. Also as it is not possible to predict what conditions the BSC Panel will be faced with any guidance provided, whether used or not used, could potentially open the BSC Panel to a legal challenge at the time.

Conclusion

The Group concluded that the Single Imbalance Price methodology should be included in the BSC as proposed, with the BSC Panel having the scope to adjust this methodology if they see fit (not just under extenuating circumstances from National Grid). Once the Single Imbalance Price methodology has been agreed for the entire Black Start Period or FSC event, any review of the methodology which results in an adjustment, can be implemented going forward only (not retrospectively once it has first been agreed).

The Group endorsed methodologies already present in the BSC to handle Clock Change scenarios. For Clock Change days that occur during the Contingency period, Settlement Periods 3 and 4 shall be ignored for a short day and be used twice for a long day. For Clock Change days that occur during the historical period, the period shall be increased to 31 days with the Clock Change day being discounted.

The Group concluded the BSCP to be produced should not contain guidance for the BSC Panel on adjusting the Single Imbalance Price methodology. The Group thought the BSC Panel are capable of requesting guidance they deem necessary at the time, whether this is from National Grid, the Authority, Secretary of State or the Industry. It was noted that there is already guidance in the BSC regarding the Authority's involvement.

B) Compensation Arrangements

1) "Avoidable Costs" under the BSC

Discussion

The proposal seeks to amend the BSC to allow BSC Parties to be able to seek compensation for any 'warm up' and 'hot standby' costs that were incurred pursuant to a Black Start Instruction. An instruction of this type would be received by the BM Unit from National Grid instructing, during the Black Start Period, to 'keep the BM Unit warm', even though this in itself does not constitute a change in Imports or Exports. For the avoidance of doubt, if a BSC Party chooses, during a Black Start Period, to 'warm up' or place their plant on 'hot standby' then any costs arising from this will not be claimable, as "Avoidable Costs", under the BSC.

In the FSC the text regarding claiming in relation to "Exceptional Costs" (incurred as a result of complying with a direction during a Fuel Security Period) is not limited and providing evidence is submitted anything can be claimed for, subject to (a) the claimant being the Lead Party of the BM Unit who has been given the FSC direction and (b) the requirements related to "Exceptional Costs" are complied with.

The Group noted all Settlement Periods under a Black Start Period are considered relevant periods for the purposes of compensation under BSC Section G 3.3.3, inferring a BSC Party cannot claim for specific Settlement Periods.

It was noted "Avoidable Costs" in the BSC relate to other situations, such as Section Q8 of the BSC 'Compensation for Outages'. The scope for the modification is to discuss the payment of Avoidable Costs under a Black Start only, therefore it should be highlighted that different definitions of "Avoidable Costs" (under the BSC) are to apply in different (non Black Start) situations.

Conclusion

The Group felt the purpose of the modification was not to limit the costs items that could be claimed for and was satisfied with the proposal to include costs incurred in the absence of a change in Exports and/or Imports within the definition of "Avoidable Costs" in the BSC, under the auspices of 'Operational Costs'.

Avoidable Costs are allowed to be claimed for under the BSC only if a specific instruction is given by National Grid during a Black Start Period, and this instruction is to form part of the claim submitted by the Lead Party of the BM Unit who has been given that instruction. The BSCP will include guidance on what constitutes "Avoidable Costs" and the Claim form will include cost headings for both FSC and Black Start claims, with information on what the cost headings are for "Exceptional Costs" under the FSC only.

2) Compensation Arrangements

Any Emergency Instructions issued during what is deemed to be a Black Start Period by National Grid, are considered Black Start instructions under the BSC and compensation can be claimed, by any Lead Party of a BM Unit which has been given such an instruction, accordingly.

De-minimis Claims Threshold (£)

The Group discussed whether a 'de-minimis' claims threshold (£) should be set, and whether that should be set by the Modification Group as part of P232 or by the BSC Panel at the time the claims are made.

The Group noted that a 'de-minimis' claims threshold, if applied, would apply to a Black Start claim only because under the FSC any "Exceptional Costs" can be claimed.

Two types of costs were considered:

- The cost to the BSC Party who are progressing the claim; and
- The cost to the industry for assessing the claim.

The Group felt all cost items which constitute "Avoidable Costs" should be claimable as so-called 'small costs' to the industry might be worthwhile for smaller BSC Parties. However, regardless of the (£) size of the claim, all relevant evidence must be produced and only where an instruction has been given can a claim be made.

The Group concluded no 'de-minimis' (£) threshold is to apply as it is difficult to ascertain what types of claims are to be submitted at the time. Also the total cost for progressing small claims should prevent these being raised by BSC Parties. In addition the process for assessing the claims should be followed quickly, if possible, to minimise the cost to industry.

Timetable for submission and submitting further evidence

Currently, claimants are allowed 20 Working Days (or such time as the Panel may determine) to submit a claim from the conclusion of a Black Start Period, and 60 Days (or such time as the Panel may determine) from the conclusion of an FSC event (and in-between if required). The proposal seeks to allow an extra 60 Business Days for the claimant to submit further evidence (although this evidence cannot increase the amount (£) which is to be claimed for).

Discussion

The Group felt in some circumstances an extra 60 days may not be sufficient time to collate evidence and in others it may be too long.

Both the FSC and the BSC allow the BSC Panel to adjust the time which BSC Parties have to submit their claims but how they are to determine a correct or applicable amount of time is uncertain.

The Group questioned whether the submission of extra evidence would lead to an adjustment of the amount claimable, however the FSC requires the full amount (£) to be specified when the claims application is first submitted (the BSC currently does not state when a claim amount should be specified).

Alternative Modification

The discussion above led to an Alternative solution being proposed. Under this solution, BSC Parties would have the current 20 (Black Start) and 60 (FSC) days respectively to lodge their claims. If they were not capable of submitting their claim within the agreed timescale, they would fill in a BSCP form (Attachment C) requesting an extension of time, the length of the time extension they were seeking and reason(s) for why they could not meet the (original) 20 or 60 day timescale (as appropriate). The time allowed for any extension would be at the discretion of the BSC Panel or the Claims Committee, if this had been delegated. There would be no (pre-set) 60 day limit for all BSC Parties (as set out in the proposed) and this solution is in accordance with the FSC.

For the avoidance of doubt, if a BSC Party's request for a time extension was rejected (be that, for example, because of a lack of supporting evidence or on the merit of the case presented) by the BSC Panel (or Claims Committee) then that BSC Party would be required to meet the (original) 20 or 60 day timescale (as appropriate). The Group noted that BSC Parties would be ill advised to wait, for example, till the 19th or 59th day respectively to ask the BSC Panel (or Claims Committee) for a time extension.

This alternative solution allows an extended application period to be applied for by BSC Parties with nothing to be submitted up front and it means no further evidence can be submitted by the BSC Party other than the evidence supporting the claim. However the BSC Panel can ask for more information at any time and adjust the timetable as it sees fit, in accordance with the FSC. A new form would be required to request a time extension.

One group member raised the issue of the intent of the FSC, and believed the purpose of the FSC was to ensure a speedy resolution of all claims from generators. Promoting a process for time extensions seemed to encourage BSC Parties to take as much time as they liked and might result in a number of unintended consequences. For example, the BSC Panel (or Claims Committee) might wait till they were in receipt of all claims before determining on them, in case the issues arising in one claim might set a precedent, say, in the handling of other claims. If this were to happen then some BSC Parties might suffer unduly financially from such a delay (which they had not sought themselves).

Conclusion

The Group concluded there are now two potential solutions with a split in the group over the better option. Three claims forms are to be developed under both solutions:

- one for a Black Start Period Claim (which must be submitted within 20 Working Days after the end of the Black Start Period);
- one for a FSC event Claim (which must be submitted within 60 Days after the end of the FSC event, or within 60 Days after the end of an anticipation period for an FSC event);
- and an 'Application to extend allocated time-frame for claim submission' form (which shall be submitted within 20 Working Days after the end of the Black Start Period for a Black Start Claim, or within 60 Days after the end of the FSC event, or within 60 Days after the end of an anticipation period for an FSC event for an FSC Claim).

The two claims forms will show the relevant cost headings under which cost items being claimed for should be placed (to assist the BSC Panel, or Claims Committee in handling the claims). Under the Proposed Modification, a check box is to be added to the two claim forms requesting the time extension of 60 days to submit further evidence to the claim. The BSC Panel, or the Claims Committee, can ask for any extra evidence while making the determination.

There is also to be strong guidance for both proposals regarding the use of the time extension request form. This form is to only be used in exceptional circumstances, and if no time extension is granted, the timescales stated (20 Working Days for Black Start or 60 days for the FSC) will still apply.

Timetable and Process for Progressing Claims

The Issue 33 Group concluded that it may be appropriate to introduce a 'Claims Lite' process for 'straight forward' claims. For reference the process can be found on pages 15 and 16 of that report (see reference document 2). The Issue Group believed this process had flexibility to be adapted if a claim needed to be rushed through or if time could be taken processing it.

The Modification Group rejected this process and concluded it would be in the interest of the BSC Panel, or Claims Committee, to determine the best process for progression at the time, due to too many unforeseen circumstances which cannot be predicted now when developing a process. Therefore no process or guidance would be set out in a BSCP. The Group noted the Authority may provide guidance, which, if they do so, the BSC Panel or the Claims Committee must take into consideration (but are not bound to follow).

Treatment of Interim Claims (£)

The proposal seeks to define a process for the determination of the amount (£) for interim claims and approving interim payments for both FSC and Black Start events.

The Group initially decided to distinguish an interim claim from an interim payment. An interim claim could only be a claim (for costs actually incurred to date) from a Generator who, during a FSC period, received a FSC direction but where the FSC event is ongoing. An interim payment is the result of this claim. Any final claim (£) shall have any amount (£) deducted which has been approved as an interim payment (double recovery is not permitted under the FSC).

The Group sought clarification on whether claims can be made under the FSC if they are made in anticipation of a FSC event. Section 5.03 of the FSC states a claim for an 'in anticipation of a Fuel Security period' event can be made, providing it is resulting from the receipt by the claimant of a FSC direction. However, a claim cannot be made by any claimant in anticipation of receiving a FSC direction; as if none is forthcoming no claim can be made. For the avoidance of doubt all claims must be for costs (£) actually incurred to date; e.g. there can be no claim for a cost that is 'anticipated' may/will be incurred in the future.

As claims are to be made per direction per Fuel Security event, the Group noted this could result in one or more BSC Parties having an extremely high number of claims. This could cause a delay in time processing single BSC Party claims.

As the primary purpose of an interim payment is to provide the Party with cashflow, the Group felt all interim payments should be made as quickly as possible' although evidence of the costs (£) actually incurred (to date) is still required to process the claim.

The Group concluded interim claims shall be applied for in the same manner as total claims. The Claimant shall submit the relevant form ('Black Start Claim Form' or 'FSC event Claim Form') with evidence attached and the approval process shall be no less than what would be required for a final claim for the same costs. Guidance in the BSCP would instruct BSC Parties to claim for so-called 'straight forward' costs (such as fuel costs) to ensure prompt payment. An 'interim payment' check-box is to be added to the claims forms.

The FSC already covers off the issue of 'double recovery' i.e. no cost can be claimed for twice. Therefore any costs approved for interim payment by the BSC Panel or the Claims Committee would be deducted from the final (£) amount a BSC Party can claim for.

Publication of Claims Material and Compensation Decisions

The Group determined two sets of cost data are to be published:

- The total amount (£) received in all claim applications; and
- The total amount (£) approved for payment.

There could be a need to band claims together, if one party is making multiple claims.

There was a debate over whether the number of claims could be published, but this could be seen as commercially sensitive material if, for example, only two claims were made, then each party will know the amount of the corresponding claim.

It was also concluded no details of the claims are to be published other than the total cost (£) to the industry.

3) Claims Committee

The proposal seeks to introduce a Claims Committee in order to facilitate the handling of claims arising from a Black Start Period or FSC event.

The Group discussed current examples of Committees which are already in place under the BSC which could be good to model the Claims Committee on (especially the Terms of Reference), such as the Imbalance Settlements Group (ISG), the Supplier Volume Group (SVG), the Trading Disputes Committee (TDC) and the Performance Assurance Board (PAB). The Group felt the best model would be the Past Notification Error (PNE) Committee (BSC Section P6), as this Committee meets on an ad-hoc basis to assess cost claims, as opposed to a Committee which sits on a regular basis and discusses a range of business.

Role of the Claims Committee

The Group considered the role of the Claims Committee in relation to the BSC Panel, and whether they are to be viewed as two different bodies or, for the purposes of the outside world, one. In the first situation, it remained unclear whether the BSC Panel would have the authority to over-turn the decisions made by the Claims Committee. In the second situation, it would not matter as any decision made by the Claims Committee would be a decision made by the BSC Panel. It was agreed that latter would be the best approach, with the BSC Panel delegating, if they wished, its powers under the BSC to the Claims Committee, but it still being regarded as a BSC Panel decision. This is in line with the FSC which refers responsibility onto the BSC Panel.

The closest example of what the Group was hoping to replicate from a current committee is the Performance Assurance Board (PAB). A PAB decision is considered a BSC Panel decision, with the Panel allowed to sit as PAB or for another group of people to sit as PAB.

For the avoidance of doubt, the Group agreed that the membership of the Claims Committee could include (i) just members drawn from the BSC Panel; or (ii) some members from the BSC Panel and some drawn from out-with the BSC Panel; or (iii) all members drawn from out-with the BSC Panel.

Appeal Process

An approach to appeal a decision or approval was discussed, as there is currently nothing in the FSC regarding this. Under Judicial Review, it is only the process as opposed to the amount (£) which can be appealed.

The Group discussed at length the merits of enabling an appeals process. Some believed an appeals process to be good governance, to be consistent with other Committees who can appeal to the Panel, to ensure due process is followed and this is fairer to participants.

Other members queried what expertise the Panel would have over and above the Claims Committee to be able to hear an appeal other than potentially for disputes over process. It is the responsibility of the Claims Committee to make a decision within their powers, and if there was an appeal to the Panel, then it would have to bring in expertise again to help with the appeal. It was also noted that a pseudo appeals process would be expected to be part of the process of the Claims Committee hearing a claim. It would be expected that an 'interim decision' on a compensation figure would be made with a final opportunity for a claimant to comment on this before a final decision. Additionally, it was noted that Judicial Review is another available option for claimants.

A change to the solution was considered but support for an explicit appeals process wasn't unanimous. The Group concluded it would be best to leave this highlighted yellow and bracketed in the draft Claims Committee Terms of Reference for the Panel to determine the most appropriate course of action at the time.

However, the Group noted the comments, within the FSC, as regards both (a) the amount (£) being claimed having to be stated within the (first) application and (b) all such applications needing to be submitted within the prescribed timescales. In other words an appeal to the BSC Panel could not be for a higher amount (£) nor could a (new) application be submitted after the deadline set out in the FSC for claim applications.

Inclusion of Experts and Sub-Groups

Under the proposal, the BSC Panel, or the Claims Committee, shall have the scope to use experts or 'sub-committees' of experts (as, for example, permitted under the FSC). These can be included as part of the Claims Committee, or be used by the Claims Committee to provide guidance or validate a claim, or they can be used for part of a claim. At the same time, sub-committees of technical experts can also be used to validate claims, parts of claims or can be included in the Claims Committee itself. This flexible approach was endorsed by the Group.

Conclusion

The Group concluded there is to be a single entry into the BSC under section B which stipulates '... a Claims Committee may be established by the BSC Panel in order to facilitate claims arising from a Black Start Period or FSC event'. This allows the BSC Panel to sit as the Claims Committee if they choose to do so and is in line with the FSC. A draft Terms of Reference for a Claims Committee is to be developed and available for guidance, if the BSC Panel chooses to use it.

4) Claims Withdrawal and Negative Compensation

The proposal seeks to introduce a process where claims can be withdrawn at any time.

The Modification Group discussed this in the light that it may be possible for the BSC Panel or the Claims Committee to approve a negative value for payment. It does not specifically mention this under the BSC, where BSC Section G 3.3.6(a) states '... entitled to be paid...' in reference to BSC Parties who can claim for compensation. The Group believed BSC Parties could still be 'paid a negative amount' under this clause.

Although this could deter BSC Parties from making unreasonable claims, the Group concluded that this is not the objective of the claims process and claims should have a 'zero floor'. This is not to be in the BSC however but will remain as a recommendation from the Group.

From this conclusion it follows that Claimants can withdraw their claim at any stage up to the final determination by the BSC Panel (or Claims Committee).

5) Cost Recovery

The proposal seeks to introduce a funding shares methodology to the BSC if the Authority determines costs are to be recovered by the BSCCo.

The recovery of costs is the Authority's decision. Possible routes for this could be through National Grid's Electricity Transmission Licence or the BSC, but it will be for the Authority to determine the nature of the cost recovery. There is an assumption however that costs are expected to be recovered from Suppliers who in turn will collect these from customers. Indeed this is specified as such in the FSC. The claims process is considered a standard operational BSC cost which would be recovered automatically from all BSC Parties.

If a funding shares methodology is to be used, you could subtract the production share from the party share to ensure the collection is evenly divided amongst Suppliers, and generators are not part of cost collection. There are already arrangements in place to administer Black Start cost recovery as per BSC Section G 3.3.7.

The Group concluded, for a FSC period, costs can be recovered via a funding shares methodology in line with the proposed solution, dependant upon directions from the Authority. Therefore there is to be no entry into the BSC or an associated BSCP, but it will be mentioned in the recommendations of the report.

APPENDIX 4: REQUIREMENTS MATRIX

1. Single Imbalance Price associated with Black Start and Fuel Security Instruction

REQ #	Requirement	Impact on Code	BSCP – Process	BSCP - Form	BSCP – Guidance
1.1	<p>A default Single Imbalance Price (SIP) shall be derived by taking the mean of the System Sell Price (SSP) and the System Buy Price (SBP) for a given Settlement Period over the previous 30 Settlement Days directly before the beginning of the Black Start Period or Fuel Security Code event in order to determine a 'proxy' for the bulk price of electricity during the Black Start Period or FSC event.</p> <p>Settlement Periods subject to an FSC event, Black Start or Emergency Instruction shall be excluded and an appropriate historic SP would be used.</p>	Sections G and T			
1.2	On Instruction from National Grid, the BSC Panel will remove any days/Settlement Periods from the 30 day historic period which are not to be considered in the calculation of the SIP, i.e. FSC, Black Start or where National Grid has issued an Emergency Instruction.	Section T			
1.3	The BSC Panel would determine an alternative pricing methodology if the Panel deemed it to be more appropriate way to determine a 'proxy' for the bulk price of electricity during the Black Start Period or FSC event.	Section T			
1.4	Once the methodology of calculating the Single Imbalance Price is determined by the BSC Panel, it is to be the methodology for the whole Black Start Period or Fuel Security Code event. If the BSC Panel review the (SIP) methodology and agree it needs changing, the new methodology and hence calculated prices will apply going forward only to the end of the Black Start Period or FSC event.	Section T			

REQ #	Requirement	Impact on Code	BSCP – Process	BSCP - Form	BSCP – Guidance
1.5	<i>Clock Change – setting the SIP methodology when a Clock Change occurs during the Contingency Period</i> As per Section P 1.2.5, for a short day Settlement Periods 3 and 4 are to be excluded, for a long day Settlement Periods 3 and 4 are to be repeated.	To be linked to relevant section in the BSC			
1.6	<i>Clock Change – setting the SIP methodology when a Clock Change occurs during the 30 day Historic Period</i> As per Section T 4.2.2 (e), any day with a clock change are to be excluded, therefore the 30 day historic period shall be 31 days with the (clock change) day in question removed from the calculation.	To be linked to relevant section in the BSC			

2. Compensation Arrangements Associated with a Black Start and Fuel Security Instruction

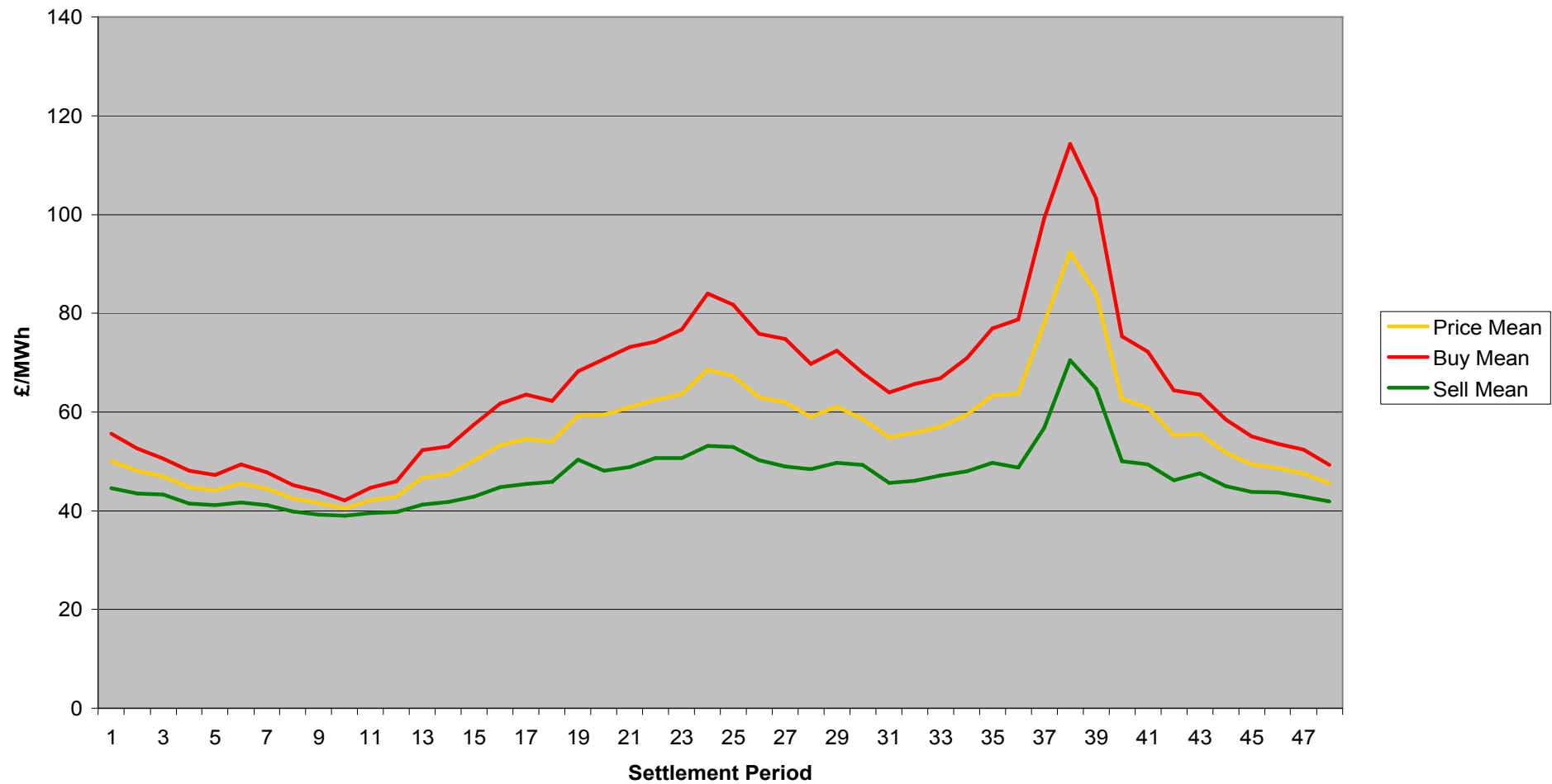
REQ #	Requirement	Impact on Code	BSCP – Process	BSCP – Form	BSCP – C.C ToR	BSCP - Guidance
2.1	A Claims Committee may be established by the BSC Panel in order to facilitate claims arising from a Black Start Period or Fuel Security Code event.	Section B			Yes	
2.2	The BSC Panel, or a Claims Committee as delegated, would be responsible for confirming the validity of claims made by BSC Parties for compensation (£) for Black Start 'Avoidable Costs' and FSC 'Exceptional Costs' incurred by the claimant complying with an instruction or direction (respectively)..				Yes	
2.3	The Claims Committee shall have the powers delegated to it by the BSC Panel.				Yes	
2.4	The membership of any Claims Committee will be appointed by the BSC Panel and may contain members of the BSC Panel but does not have to (i.e. the Claims Committee could be the BSC Panel, a sub-set of the BSC Panel, or have no direct BSC Panel Members' involvement).				Yes	Yes
2.5	The BSC Panel, or a Claims Committee as delegated, will be				Yes	

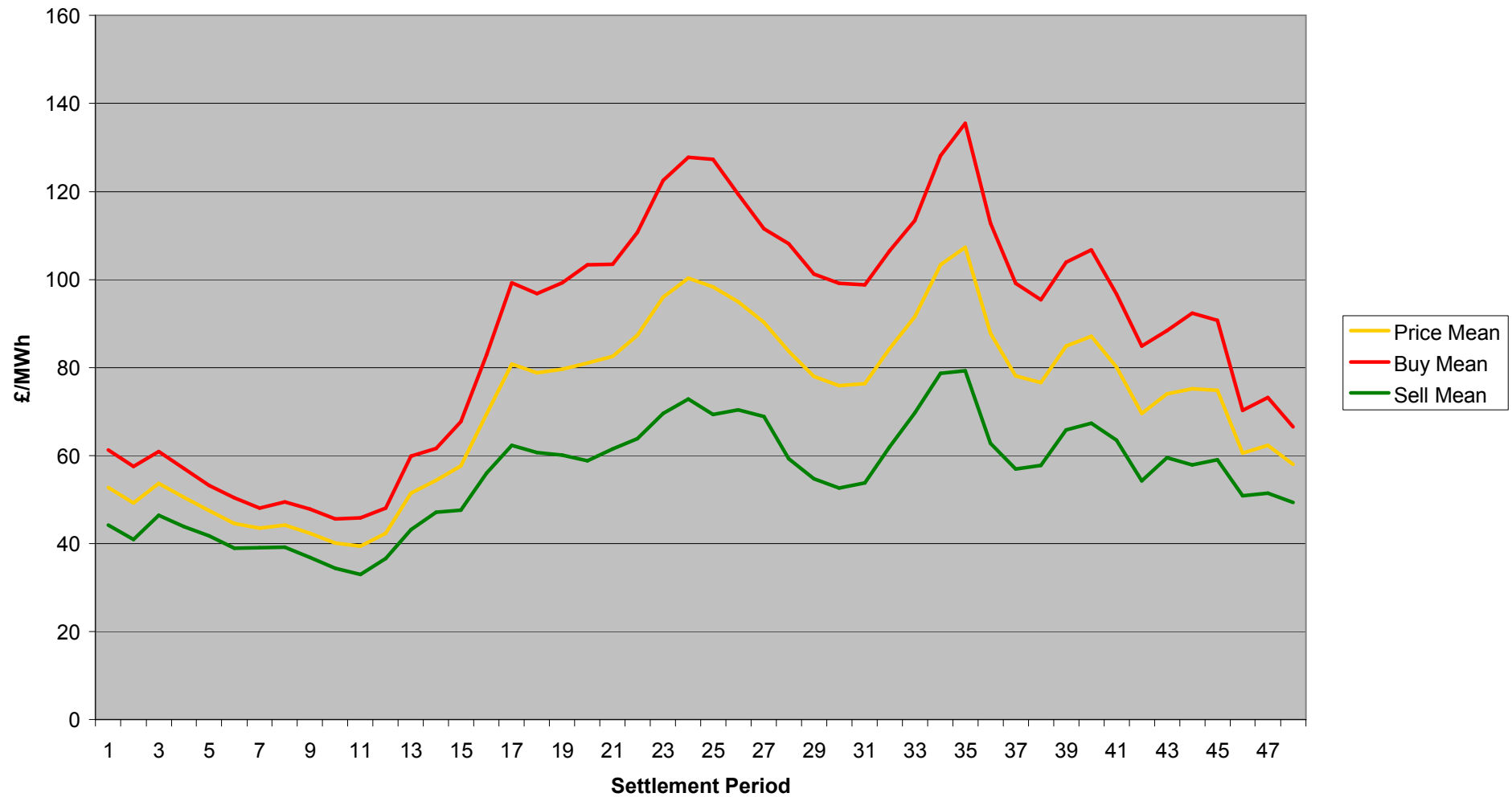
REQ #	Requirement	Impact on Code	BSCP – Process	BSCP – Form	BSCP – C.C ToR	BSCP - Guidance
	responsible for establishing the detailed processes for final determination of a valid claim.					
2.6	The BSC Panel or a Claims Committee may employ expert/ technical/ specialist sub-committees to advise or to assist it in determining a valid claim.				Yes	Yes
2.7	BSCCo is to provide the Claims Committee with any administrative support and is to provide any requested information.				Yes	Yes
2.8	Any meeting of the Claims Committee shall be held in closed session to ensure confidentiality.				Yes	Yes
2.9	The BSC Panel or a Claims Committee must take account of any guidance that the Authority chooses to provide in making its determinations of the valid claims received.				Yes	
2.10	<p>All Claims shall include:</p> <p><i>Part 1</i></p> <ul style="list-style-type: none"> i) The total Claim amount (£) being sought via the Claim; ii) Statement setting out the Claim; iii) Director's certification of the Claim (FSC Claims only) or Authorised Person from the Company (Black Start Claims only); iv) The actual FSC Direction(s) received (from NG if necessary) which lead to the Exceptional Costs (£) being claimed for arising; or the actual Black Start Emergency Instruction(s) received from NG which lead to the Avoidable Costs (£) being claimed for arising; v) Evidence in support of the Claim; vi) Notice whether the Generator expects to submit any further evidence (proposed modification only); and vii) Specific calculations and statement regarding the 			Yes, first part only		

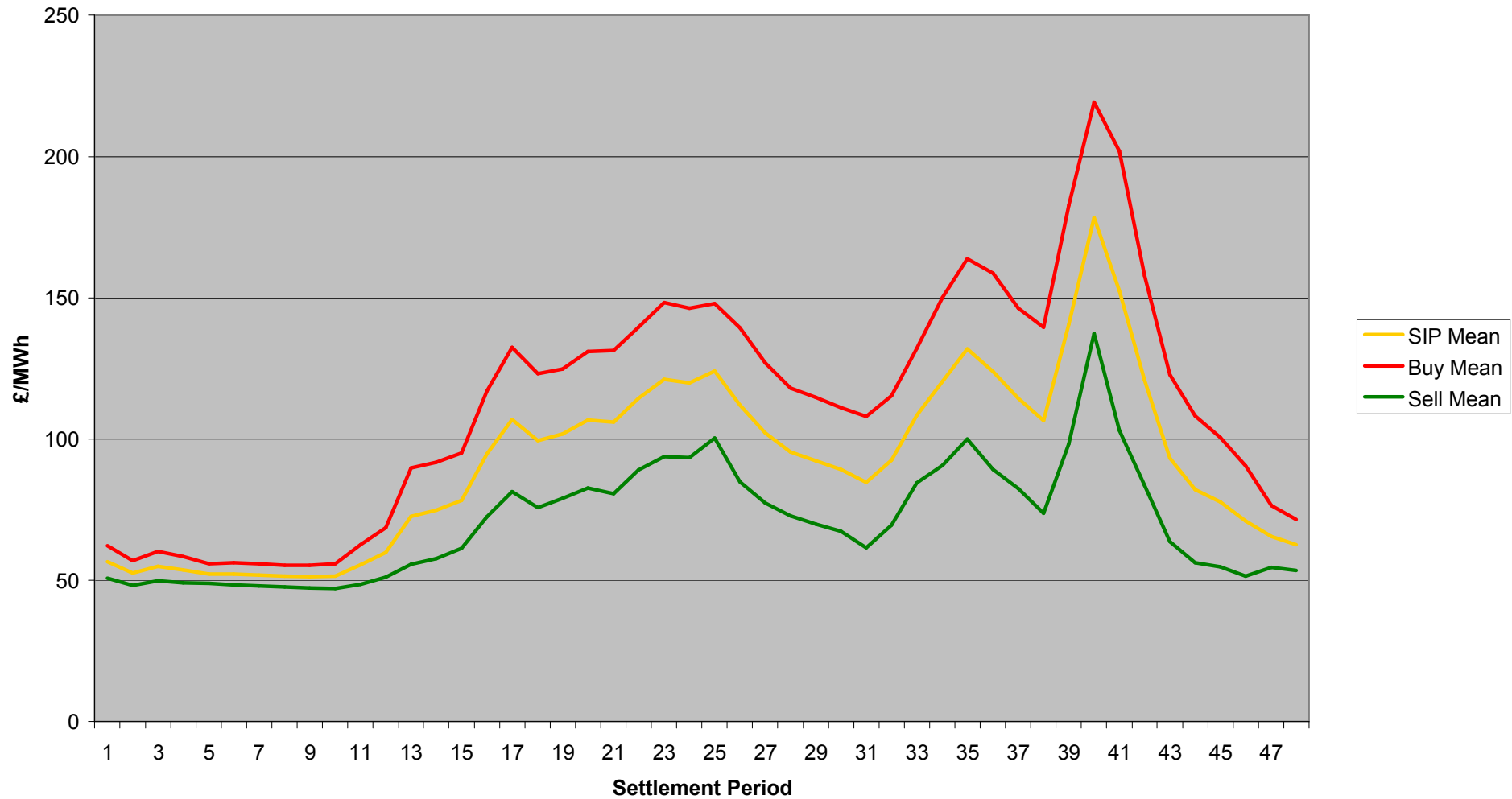
REQ #	Requirement	Impact on Code	BSCP – Process	BSCP – Form	BSCP – C.C ToR	BSCP - Guidance
	<p>composition of either (a) the Exceptional Costs or (b) the Avoidable Costs (as appropriate) comprising the Claim.</p> <p><i>Part 2</i></p> <p>Claimants may also be asked to provide, on request from the Claims Committee:</p> <p>i) Statement from BSC Party's Auditors;</p> <p>ii) Additional information to support/clarify Claim.</p> <p>Claims not supported by the information contained in Part 1 (and Part 2 if requested) above shall be deemed 'invalid'.</p>					
2.11	An application for compensation under the BSC for a Black Start or a Fuel Security Code event is to be made up of the Claim (BSCP form) + statement (see G5.4) + supporting evidence (note the original P232 Modification proposes evidence can come later).	Section G				
2.12	An appropriate BSCP form must be submitted in applying for a Claim relating to a Black Start Period (this must be submitted within 20 business days of the Black Start Period ending, or such period as the BSC Panel stipulates).		Yes	Yes		
2.13	An appropriate BSCP form must be submitted in applying for a Claim relating to a Fuel Security Code event (this must be submitted within 60 days of the Fuel Security Code event ending, or such period as the BSC Panel stipulates. Note: 60 days also applies for interim claims and claims in anticipation of a FSC event).		Yes	Yes		
2.14	An appropriate BSCP form must be submitted in applying for a time extension to submit a Claim which arises from a Black Start period or Fuel Security Code event.		Yes	Yes		
2.15	Operational costs, which were not incurred as a result of a change in Export or Import level, are to be considered Avoidable Costs and are claimable under a Black Start Period if they arose from complying with a Black Start emergency instruction.	Section G				
2.16	The following (illustrative) Cost Headings are to be used by			Yes		Yes

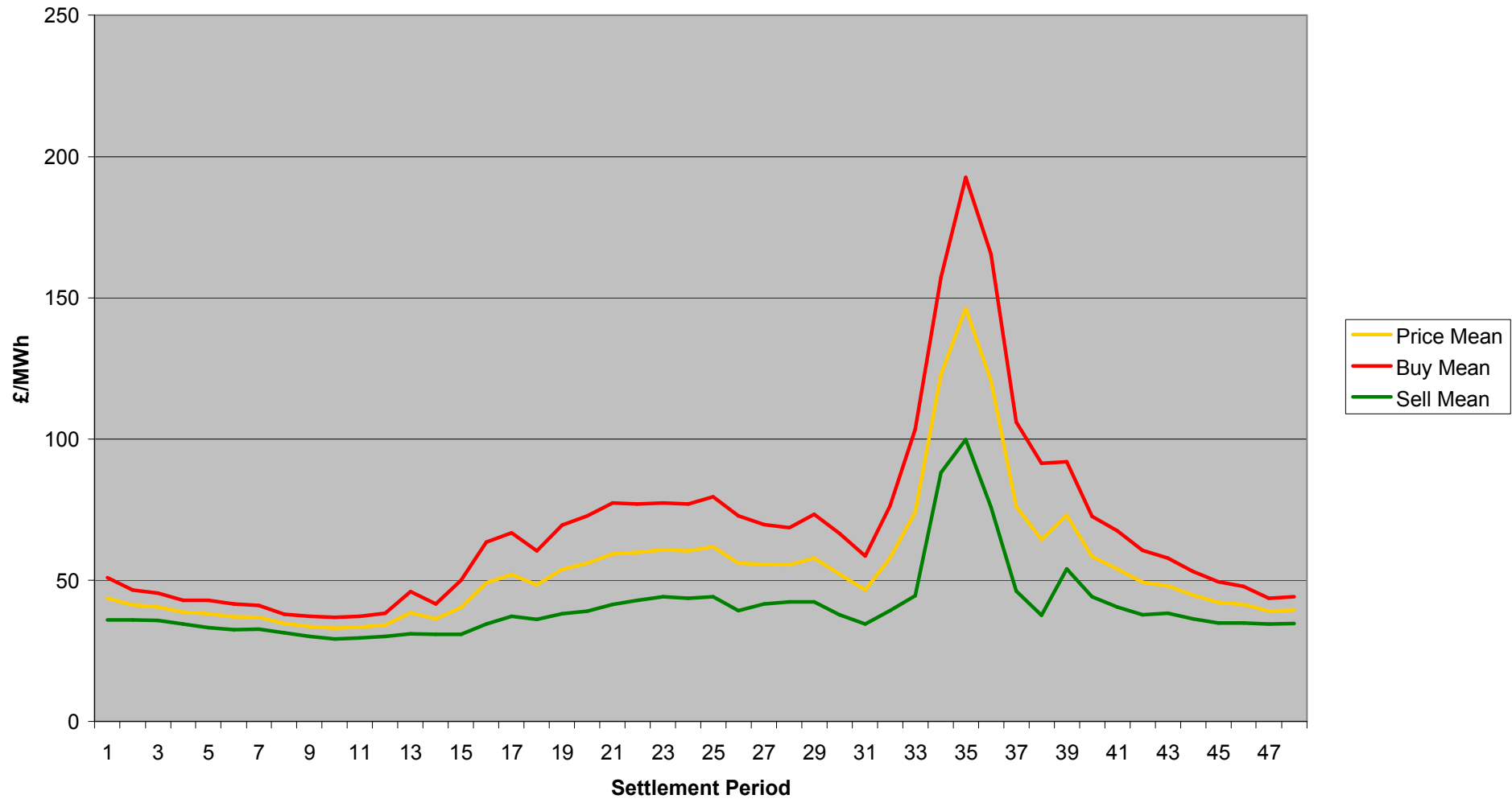
REQ #	Requirement	Impact on Code	BSCP – Process	BSCP – Form	BSCP – C.C ToR	BSCP - Guidance
	Claimants (when submitting information in accordance with REQ 2.10 Part 1 (ii), (v) and (vii) above) for FSC claims: Fuel Costs, Insurance Costs, Financing Costs, Overhead Costs, Maintenance Costs, Emission Costs, Damages, Industry charges, Other Costs. This is to assist the BSC Panel (or Claims Committee) in the handling of all claims received.					
2.17	Claimants are allowed an extra 60 business days to submit any supporting evidence which can help validate their claim, however they cannot change the amount (£) they are claiming for (Proposed P232 Modification Only).		Yes	Yes		
2.18	The BSC Panel or a Claims Committee determines the compensation amount (£) payable. This may therefore vary, up or down, from the amount (£) claimed. Claims are to have a 'zero floor', meaning there cannot be a situation where a claimant has to pay.	Section G	Yes (footnote)		Yes	
2.19	Claims can be withdrawn, by the Claimant, once they have been lodged up until the determination is made by the BSC Panel or a Claims Committee.			Yes		
2.20	Interim payment sums (£) can be agreed by the Claims Committee only for Exceptional Costs (arising from complying with an FSC Direction received by the Claimant) which have been incurred (up to the date of the interim claim submission) throughout a FSC anticipation period or during a FSC period. The Claims Committee does not manage payment of that claim. BSC Parties are advised to ensure submitted claims are easy to validate if they require swift determination by the Claims Committee.		Yes (Reference to Guidance)	Yes (check box)		Yes
2.21	Payment received as an Interim Payment cannot be claimed for again as part of the final claim; i.e. no double recovery.		Yes (Reference to Guidance)			Yes
2.22	BSCCo is to publish two sets of data: i) the total amount (£) claimed for (including a rolling total); and ii) the total amount (£) which has been approved for payment by the Claims Committee.		Yes		Yes	

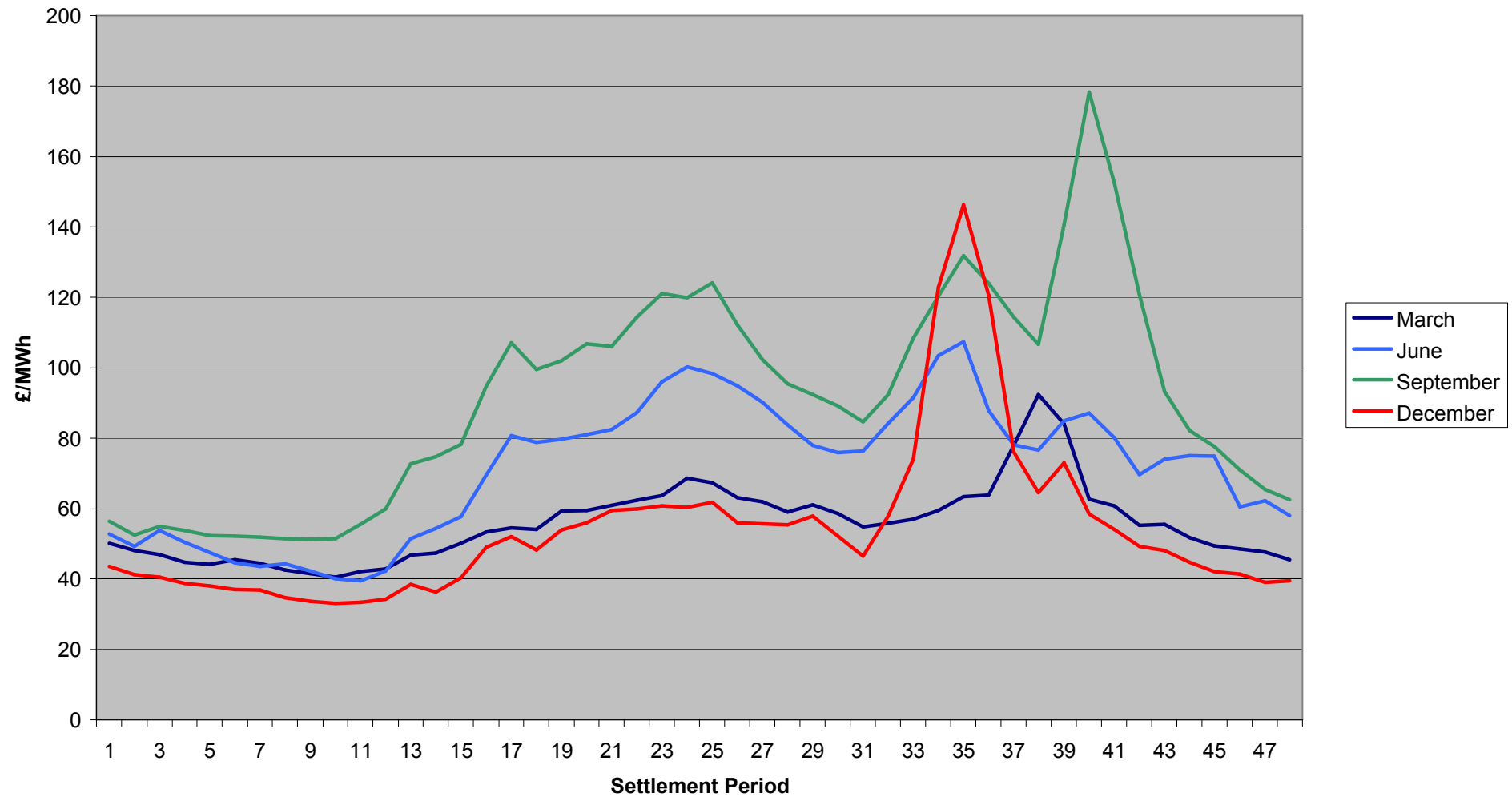
REQ #	Requirement	Impact on Code	BSCP – Process	BSCP – Form	BSCP – C.C ToR	BSCP - Guidance
2.23	If the Authority requires costs resulting from a FSC period to be covered via the BSC, a Funding Shares Methodology is recommended to be used.					Yes (Mods Report only)
2.24	Under both the Proposed and Alternative Modifications, the BSCP form as specified in REQ 2.14 shall only be used if exceptional circumstances are present meaning the claims cannot be submitted within the timescales as stipulated in REQ 2.12 and REQ 2.13.			Yes		

APPENDIX 5: SINGLE IMBALANCE PRICE – GRAPH ANALYSIS**Mean of SBP and SSP (SIP) over 30 Settlement Periods - 1/03/08 to 30/03/08**

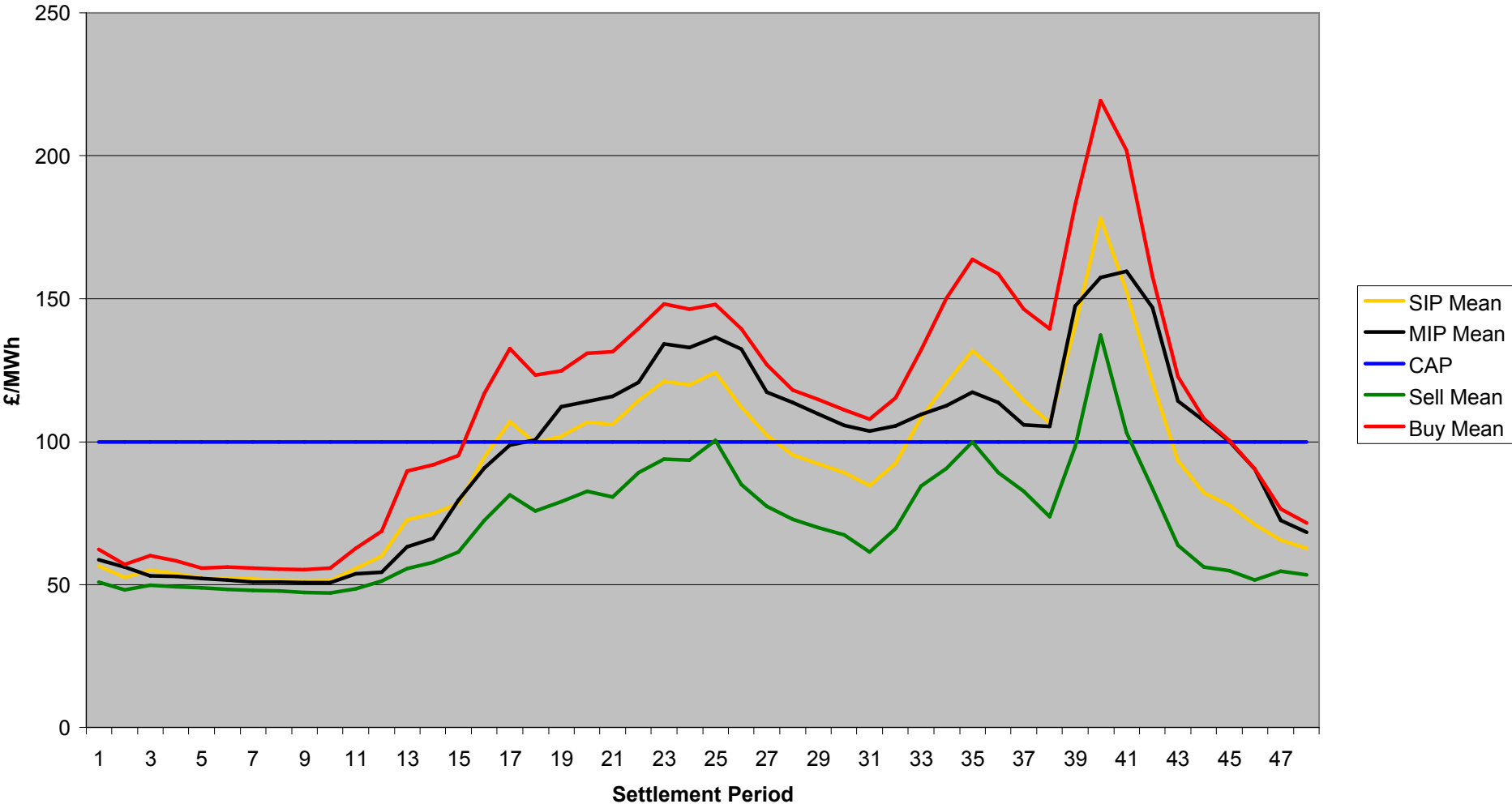
Mean of SBP and SSP (SIP) over 30 Settlement Periods - 1/06/08 to 30/06/08

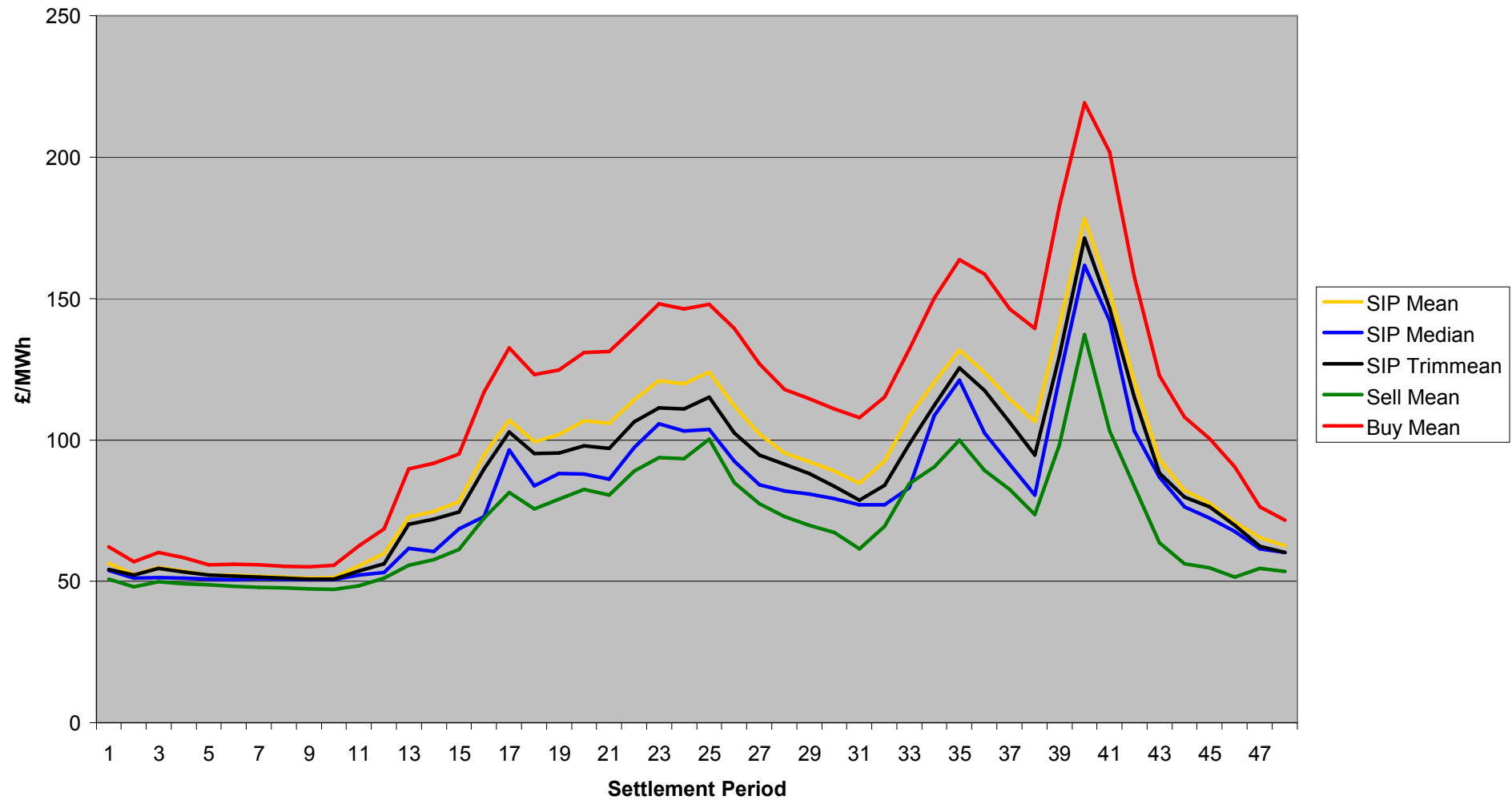
Mean of SBP and SSP (SIP) over 30 Settlement Periods - 1/09/08 to 30/09/08

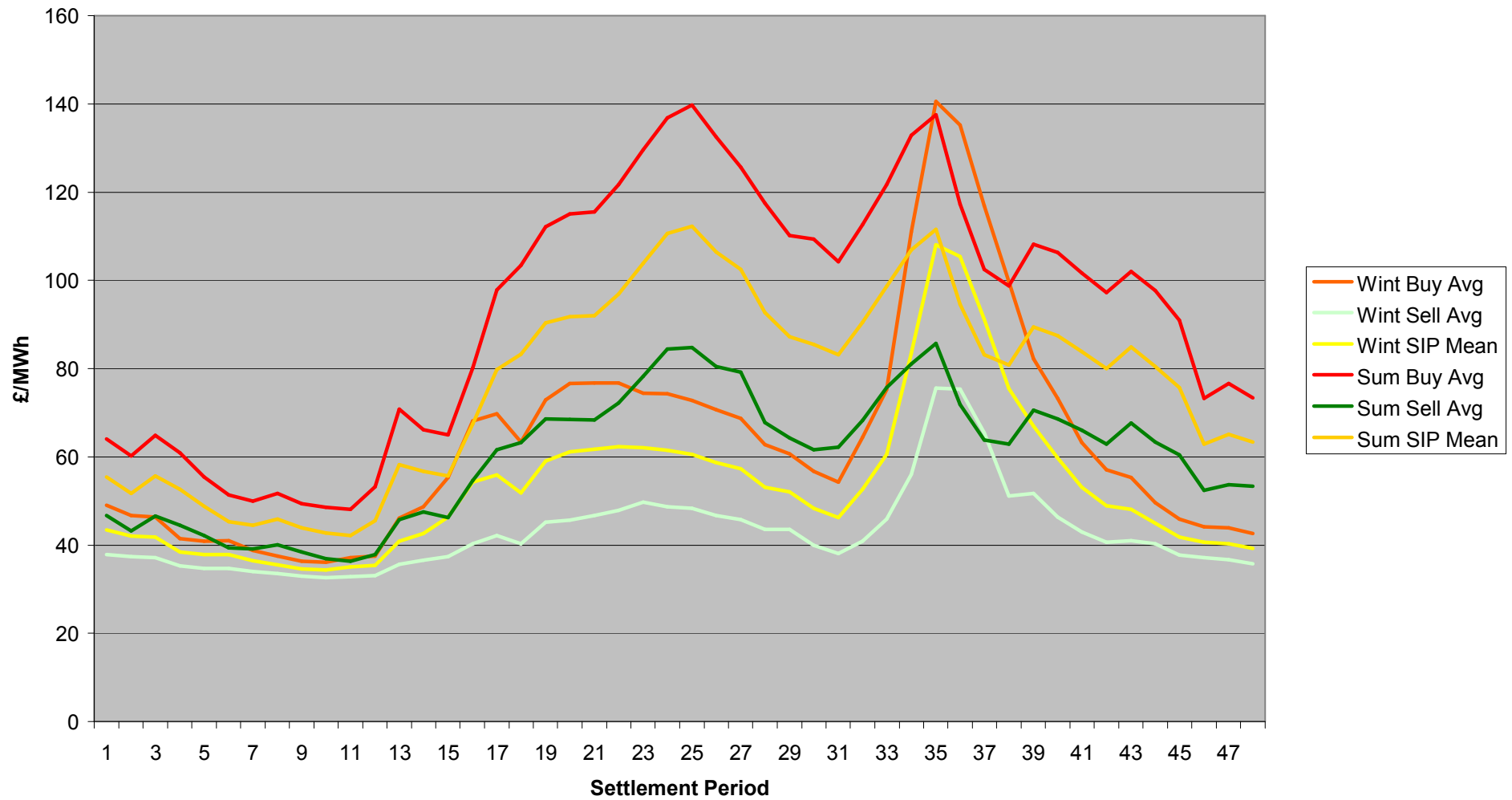
Mean of SBP and SSP (SIP) over 30 Settlement Periods - 1/12/08 to 30/12/08

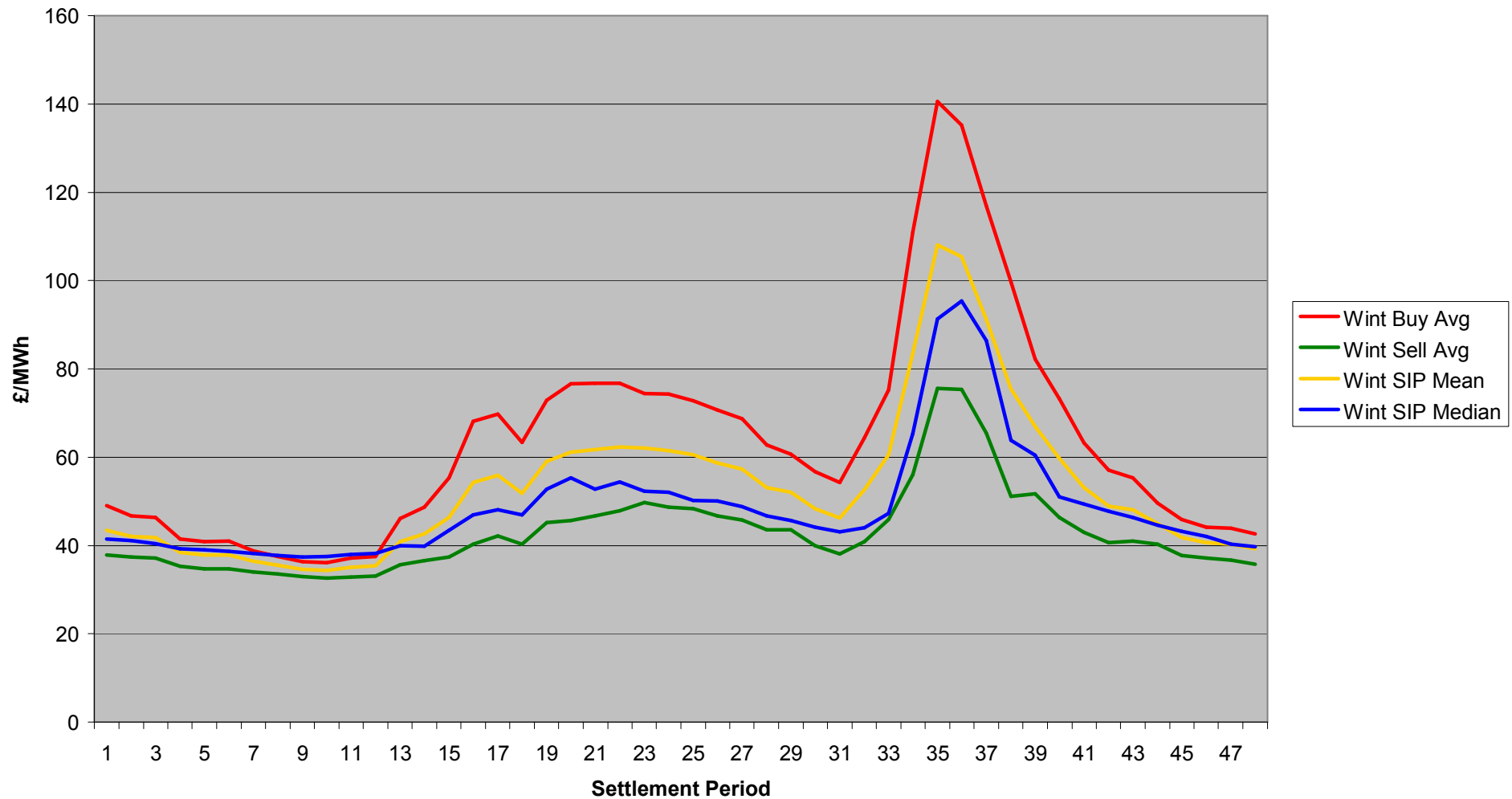
SIP Calculation shown over four separate months 2008

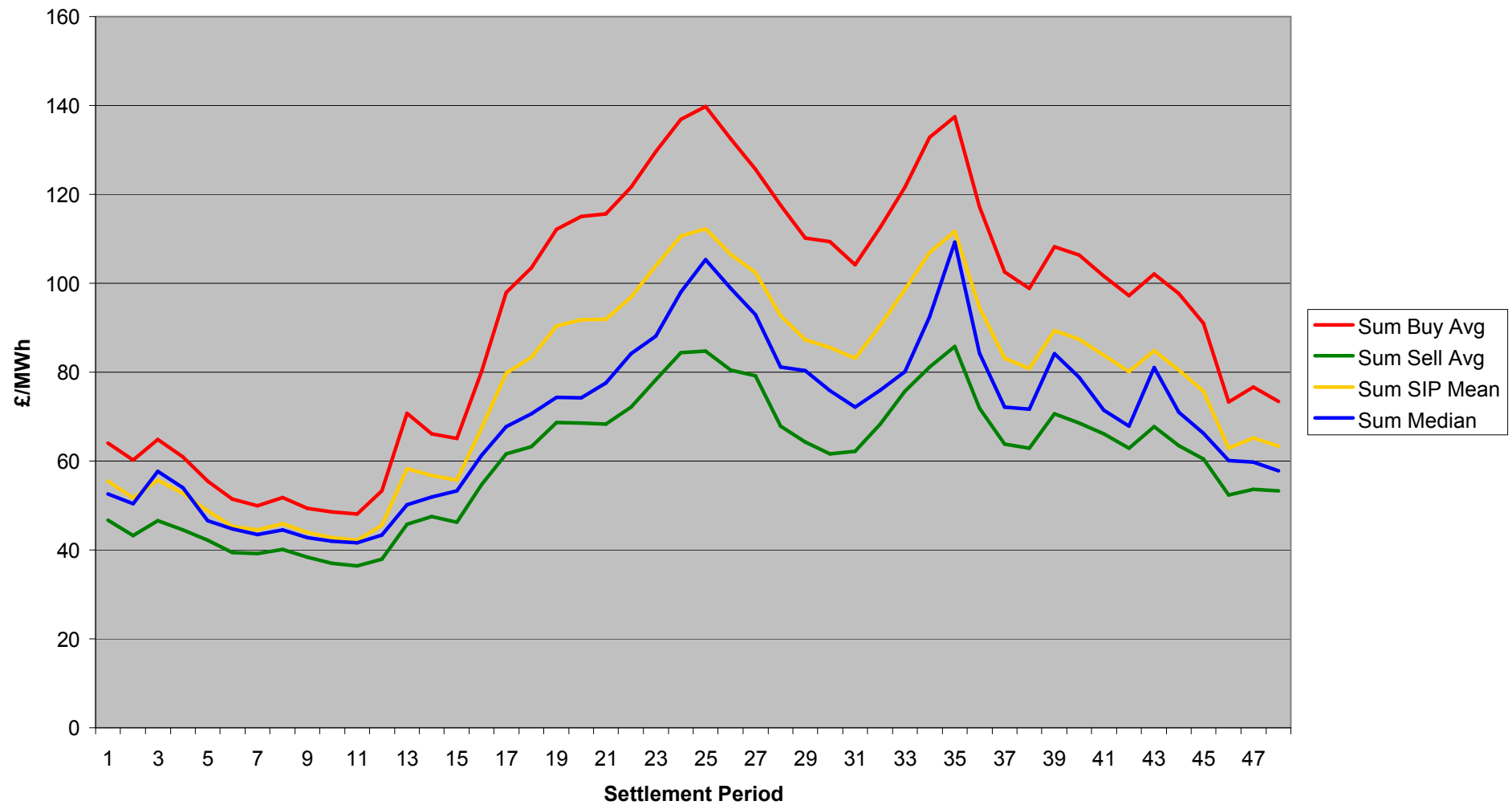
SIP September 2008 - including SIP, CAP and MIP



SIP September 2008 - including SIP, Median and Trimmean

90 Day SIP Means for Summer and Winter (Summer 2008 and Winter 2007/08)

90 Day SIP for Winter 2007/08 (1/12/07 to 28/02/08 inclusive)

90 Day SIP for Summer 2008 (1/06/08 to 29/08/08 inclusive)

Fluctuations in Daily Mean of SBP and SSP for 4 September 2008

SP	04/09/2008	SP	04/09/2008	SP	04/09/2008	SP	04/09/2008
1	54.24	13	108.84616	25	216.143105	37	198.005555
2	53.14276	14	109.382195	26	203.93783	38	185.2357
3	51.539275	15	121.470535	27	199.498905	39	196.94
4	54.75	16	136.16942	28	201.282115	40	201.03
5	53.0343	17	143.48563	29	186.202645	41	227.83797
6	51.75959	18	143.93389	30	212.80308	42	210.94106
7	51.842925	19	151.39485	31	238.56085	43	171.14636
8	52.25	20	165.214635	32	242.16355	44	92.467555
9	59.82783	21	175.918405	33	286.00146	45	94.00046
10	60.14882	22	175.42573	34	282.48524	46	85.70952
11	66.312285	23	200.0341	35	282.635305	47	66.473795
12	73.170545	24	200.154945	36	247.205515	48	65.725105
						Sum	7107.88972

Sum of Mean of SBP and SSP for full Settlement Days 1/09/08 to 7/09/08

Date	Sum
01/09/2008	3624.13
02/09/2008	4084.59
03/09/2008	4352.65
04/09/2008	7107.89
05/09/2008	5835.32
06/09/2008	4391.11
07/09/2008	4857.09

Mean of SBP and SSP for Settlement Period 34 throughout September 2008

Date	SP34 - 16:30 - 17:00				
01/09/2008	117.6	11/09/2008	162.46	21/09/2008	67.98
02/09/2008	125.76	12/09/2008	109.74	22/09/2008	218.08
03/09/2008	182.35	13/09/2008	110.31	23/09/2008	94.65
04/09/2008	282.49	14/09/2008	94.3	24/09/2008	84.67
05/09/2008	140.19	15/09/2008	107.62	25/09/2008	79.52
06/09/2008	141.66	16/09/2008	235.12	26/09/2008	87.77
07/09/2008	118.13	17/09/2008	210.83	27/09/2008	55.48
08/09/2008	82.38	18/09/2008	119.49	28/09/2008	58.04
09/09/2008	164.72	19/09/2008	78.39	29/09/2008	69.17
10/09/2008	70.73	20/09/2008	70.95	30/09/2008	70.17

ATTACHMENT A: P232 PROPOSED LEGAL TEXT

The Proposed legal text, version 0.12, is attached.

ATTACHMENT B: P232 ALTERNATIVE LEGAL TEXT

The Alternative legal text, version 0.5, is attached.

ATTACHMENT C: BSCP

The following procedures are in this Attachment:

- BSCPXX/3.X Process of Black Start and FSC Claim Submission and Determination

The draft Claims Committee Terms of Reference developed by the Group is in this attachment.

The following forms are in this Attachment:

- BSCPXX/01 Black Start Claims Form
- BSCPXX/02 Fuel Security Event Claims Form
- BSCPXX/03 Request for Black Start Claim or Fuel Security Event Claim Time Extension
- BSCPXX/04 Request for Black Start or Fuel Security Event Claim Withdrawal

There is a check box at the bottom of BSCPXX/01 and BSCPXX/02 which would be included in the *Proposed Modification* only.

Guidance, which has resulted from the conclusions of Issue Group 32, Issue Group 33 and the P232 Modification Group are in the BSCP as an attachment.

ATTACHMENT D: CONSULTATION RESONSES

The P232 industry consultation responses are in this attachment.

ATTACHMENT E: IMPACT ASSESSMENT RESPONSES

The P232 industry impact assessment responses are in this attachment.