



## ASSESSMENT CONSULTATION for Modification Proposal P232 'Black Start and Fuel Security Compensation and Single Imbalance Price Derivation'

Prepared by P232 Modification Group

<b>For Consultation</b>	Date of Issue	<b>25 February 2009</b>	Version Number	<b>1.0</b>
For Attention Of	<b>BSC Parties and other interested parties</b>			
<b>Overview or Purpose of Document:</b>				
<p><b>Proposed Modification P232</b> seeks to improve transparency regarding the compensation arrangements pursuant to a Black Start Period or Fuel Security Code (FSC) incident and to develop a methodology for the calculation of a Single Imbalance Price (SIP) to apply for each settlement period under these exceptional market conditions arising from a Black Start Period or FSC incident. 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 require further clarification.</p> <p><b>Alternative Modification P232</b> differs from the Proposed in the process for determining the timetable for claims submission.</p> <p>Another consultation regarding the procedures surrounding the return to normal market operations under a Black Start or FSC event (P231) was issued in parallel with this document.</p>				
<b>PURPOSE OF THIS DOCUMENT</b>				
<p><b>For Impact Assessment:</b> This impact assessment seeks to understand the impact of P232 on your organisation, in particular the extent of the impact in terms of costs and implementation timescales.</p> <p><b>For Consultation:</b> This consultation seeks respondents' views regarding P232 and, in particular whether:</p> <ul style="list-style-type: none"><li>• the Proposed Modification and/or the Alternative Modification would better facilitate the achievement of the Applicable BSC Objectives<sup>1</sup> when compared to the current Code baseline;</li><li>• you believe the proposed SIP methodology is a fair and reasonable method of calculating a cash-out price(s);</li><li>• you believe a Claims Committee, or the Panel acting as the Claims Committee, and the agreed processes provides sufficient transparency for the industry for compensation for costs incurred during a Black Start Period or Fuel Security Code event;</li><li>• you believe introducing a 'zero floor' for 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) is fair and reasonable; and</li><li>• there are any substantive issues that the Group has not identified and that should be considered.</li></ul>				
<b>RESPONSES</b>				
<p><b>You are invited to provide a response to the questions contained in the attached Impact Assessment and Consultation pro-forma.</b> Please send responses, entitled 'P232 Assessment Procedure Consultation and Impact Assessment', by <b>5pm on Tuesday 10 March 2009</b> to the following e-mail address: <a href="mailto:modification.consultations@elexon.co.uk">modification.consultations@elexon.co.uk</a>.</p>				

<sup>1</sup> A copy of the Applicable BSC Objectives is provided in Appendix 1.

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## **Summary of Impacted Parties and Documents**

As far as the Modification Group has been able to assess, the following parties/documents would be impacted by P232.

Please note that this table represents a summary of the full impact assessment results in Section 5.

Distribution System Operators	<input type="checkbox"/>	A	<input type="checkbox"/>	BSC Procedures	<input checked="" type="checkbox"/>
Generators	<input checked="" type="checkbox"/>	B	<input checked="" type="checkbox"/>	Codes of Practice	<input type="checkbox"/>
Interconnectors	<input type="checkbox"/>	C	<input type="checkbox"/>	BSC Service Descriptions	<input checked="" type="checkbox"/>
Licence Exemptable Generators	<input checked="" type="checkbox"/>	D	<input type="checkbox"/>	Party Service Lines	<input type="checkbox"/>
Non-Physical Traders	<input type="checkbox"/>	E	<input type="checkbox"/>	Data Catalogues	<input type="checkbox"/>
Suppliers	<input checked="" type="checkbox"/>	F	<input type="checkbox"/>	Communication Requirements Document	<input type="checkbox"/>
Transmission Company	<input checked="" type="checkbox"/>	G	<input checked="" type="checkbox"/>	Reporting Catalogue	<input type="checkbox"/>
Data Aggregators	<input type="checkbox"/>	H	<input type="checkbox"/>	Ancillary Services Agreement	<input type="checkbox"/>
Data Collectors	<input type="checkbox"/>	I	<input type="checkbox"/>	Data Transfer Services Agreement	<input type="checkbox"/>
Meter Administrators	<input type="checkbox"/>	J	<input type="checkbox"/>	Distribution Code	<input type="checkbox"/>
Meter Operator Agents	<input type="checkbox"/>	K	<input type="checkbox"/>	Distribution Connection and Use of System Agreement	<input type="checkbox"/>
ECVNA	<input type="checkbox"/>	L	<input type="checkbox"/>	Grid Code	<input checked="" type="checkbox"/>
MVRNA	<input type="checkbox"/>	M	<input type="checkbox"/>	Master Registration Agreement	<input type="checkbox"/>
SAA	<input type="checkbox"/>	N	<input type="checkbox"/>	Supplemental Agreements	<input type="checkbox"/>
FAA	<input type="checkbox"/>	O	<input type="checkbox"/>	Use of Interconnector Agreement	<input type="checkbox"/>
BMRA	<input type="checkbox"/>	P	<input type="checkbox"/>	Internal Working Procedures	<input checked="" type="checkbox"/>
ECVAA	<input type="checkbox"/>				
CDCA	<input type="checkbox"/>				

## **1 Why Change**

In the event of a Fuel Security Code event or Black Start Period BSC Parties are expected to adhere to certain activities which are outlined within the Balancing and Settlement Code (BSC). Issue 32 'Black Start'<sup>2</sup> and Issue 33 'Fuel Security Code (FSC)'<sup>3</sup> 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 following:

- The compensation arrangements and procedures for those BSC Parties who have been given an Emergency Instruction during a Black Start Period or, in the case of a Fuel Security Code event, a Direction from the Secretary of State;
- Provide a methodology for calculation a Single Imbalance (cash-out) Price; and
- By providing clarity of the obligations and processes, affected BSC Parties can work together to ensure that normal market operations will 'go-live' in the shortest possible time.

A description of a Black Start Period and FSC event is included below in Sections 1.1 and 1.2 respectively.

The Issue Groups also discussed the details of the claims processes and the calculation of a Single Imbalance Price) under a Black Start / FSC event. The changes from these discussions are being progressed as Modification Proposal P232.

### **1.1 What is a Black Start?**

A 'Black Start' is the recovery process for restoring electricity on the Transmission System where there has been a Total or Partial Shutdown (as defined in the Grid Code) of that system. Power stations need electricity from the Transmission System to start up and maintain their generators. If the Transmission System collapses (i.e. becomes de-energised) 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 System Operator (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.

### **1.2 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

<sup>2</sup> Issue 32 Black Start Report – Please refer to the following Link: [Issue 32 Black Start Report](#)

<sup>3</sup> Issue 33 Fuel Security Code – Please refer to the following Link: [Issue 33 Fuel Security code](#)

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.

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

## **2 Summary of Solution**

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') discussion, please refer to Appendix 3.

For the full Requirement Specification, please refer to Appendix 4.

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.

In summary, the P232 solution can be broken down into the following areas:

### **2.1 Proposed Modification**

#### **2.1.1 Single Imbalance Price (SIP)**

The P232 Modification Group endorsed the Proposal which seeks to introduce a single imbalance price calculation methodology for all 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 (SP) 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 SP.
- 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).
- For Clock Change days that occur during the Black Start Period or Fuel Security Code

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.

## **2.1.2 Compensation Arrangements**

### **2.1.2.1 Operational Costs**

'Warm up' or 'Hot Standby' Costs incurred when there is no change (a "relevant change") in Imports or Exports are to be claimable 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 where there is not a corresponding change (a "relevant change") in Imports or Exports.

### **2.1.2.2 Claim Application Process**

- An application for compensation can only be made (a) in the case of Black Start by the Lead Party of BM Units who have received an Emergency Instruction during that Black Start Period or (b) in the case of a Fuel Security Code 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 Fuel Security Code event;
- An application for compensation can only be made (a) in the case of Black Start for 'Avoidable Costs' (as defined in the BSC) or (b) in the case of a Fuel Security Code for 'Exceptional Costs' (as defined in the Fuel Security Code) actually incurred (i.e. no advanced payments);
- Any application for compensation is to be made up of the Claims form, a Statement of Claim, the total amount (£) being claimed and any supporting evidence;
- Currently in accordance with the BSC 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 event; and
  - 60 Days<sup>4</sup> (or such period that the Panel may determine) from the conclusion of an FSC event (and in-between if required);
- 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) where the claimant has submitted an 'Application to extend allocated time-frame for claim submission' form;
- 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:
  - 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

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<sup>4</sup> Note the FSC states 60 days only, not Business Days or Working Days



- 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).
- The third form regarding the Application for a time-extension (for an extra 60 Business Days) to submit further evidence in support of their claim is to be granted in exceptional circumstances only, and if turned down by the BSC Panel, normal time-frames (20 Working Days or 60 days) are to apply;
- 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.

#### **2.1.2.3 Claims Committee for Claim Determination**

A Claims Committee, which shall be chosen by the BSC Panel and may consist of the BSC Panel, is to be used for the determination of all application for compensation claims received from BSC Parties related to either a Black Start Period or 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 advice 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;
- Claims can be withdrawn by the Claimant at any stage of the process up until the determination is made.

#### **2.1.2.4 Cost Recovery**

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

### **2.2 Alternative Modification**

The Alternative Modification is the same as the Proposed Modification; however the fifth bullet point under section 2.1.2.2 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) where the claimant

has submitted an 'Application to extend allocated time-frame for claim submission' form.

The rationale for the Alternative Modification is evidence produced in the extra 60 days could lead to a change in the amount claimed for, however the FSC states the amount claimed for must be stated with the (initial) claim. Also these extra 60 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 Alternative, the key point is all claimable information (the claim, the statement of the claim and the supporting evidence) must be submitted by the (initial) deadline (20 Working Days for Black Start or 60 days for FSC). The Group believes the time-scales for claim submission are adequate and time-extensions should only be granted in exceptional circumstances.

### **3 Implementation**

#### **3.1 Implementation Costs**

BSCCo do not anticipate substantial costs from industry or BSC Agents, to implement the P232 solution. BSCCo believes that any impacts on BSC Parties would be related to updating procedures / Local Working Instructions. A question has been included in the P232 Consultation questionnaire that seeks respondents' views on the likely impacts on the respondents' organisation.

There will be a small cost associated with the drafting and progression of the new BSCP.

#### **3.2 Implementation Approach**

The P232 implementation approach has been developed on the assumption of no system changes. Development of the new BSCP will take 4 months. Therefore implementation is proposed to be 4 calendar months after an Authority decision.

This 4 month lead time includes internal drafting and review cycles for the BSCP, an industry consultation followed by the Imbalance Settlement Group (ISG) and BSC Panel approval. The ISG would be responsible for agreeing any further amendments to this BSCP.

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

Both Modifications could be implemented as a stand alone Modifications if the Authority were to reject either Modification or if it was recommended that P231 and P232 should be implemented separately.

### **4 Assessment of Modification against Applicable BSC Objectives**

This section outlines the initial views of the Modification Group regarding the merits of P232 against the Applicable BSC Objectives.

The unanimous view of the Modification Group was that both the Proposed Modification and the Alternative Modification **would** better facilitate the achievement of Applicable BSC Objectives (b) and (d) when compared to the current Code baseline, for the following reasons:

**Applicable BSC Objective (b)**

(b) The efficient, economic and co-ordinated operation of the GB Transmission System;

- P232 sets out a clear transparent process which will ensure that both Transmission Company and individual BSC participants have a better understanding of the Black Start and FSC procedures. This will assist the Transmission Company to operate in an efficient and economic manner.

**Applicable BSC Objective (d)**

(d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

- The administration of the balancing and settlement arrangements would be more efficient due to the prescribed processes which are proposed;
- The Panel would have the benefit of guidance and a structure in which to act; and
- BSC Parties would have the security of when, under exceptional market conditions, procedures are in place to ensure their commercial interests are considered.

The Modification Group was split as to whether the Proposed Modification or the Alternative Modification would better facilitate the Objectives of the BSC, however a slight majority thought the Alternative Modification would better facilitate Objective (d).

## **5 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. The following have been identified as being potentially impacted by P232. These impacts will be updated following the industry wide Impact Assessment which is being carried out in parallel with the consultation.

### **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	Potential Impact of Proposed 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	Potential Impact of Proposed 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.
T (Settlement and Trading Charges)	Methodology for setting the Single Imbalance Price is to be updated in this section.

**g) Impact on Code Subsidiary Documents**

Document	Potential Impact of Proposed Modification
New BSCP	A new BSCP will document all the processes, forms and guidance
BSCP18	A reference to the process of entering Single Imbalance Cash-out Price into Settlement (in the new BSCP) should be included here.
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
SAA Systems Documentation	Needs to be updated to ensure Single Imbalance Cash-out Prices (as in per settlement period) can be entered manually.

**h) Impact on Core Industry Documents and Other Documents**

Document	Potential Impact of Proposed Modification
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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.

## 6 Terms Used In This Document

Other acronyms and defined terms take the meanings defined in 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
SAA	Settlement Administration Agent
SBP	System Buy Price
SIP	Single Imbalance Price
SSP	System Sell Price
SVG	Supplier Volume Group
TDC	Trading Disputes Committee

## 7 Document Control

## 7.1 Authorities

Version	Date	Author	Reviewer	Reason for review
0.2	06/02/09	Graeme Windley	Sarah Jones	For peer review
0.4	17/02/09	Graeme Windley	David Jones, Sarah Jones, Diane Mailer	For technical review
0.6	18/02/09	Graeme Windley	P232 Modification Group	For Modification Group review
1.0	25/02/09	P232 Modification Group	BSC Parties and other interested parties	For industry consultation
1.0	25/02/09	P232 Modification Group	BSC Parties and other interested parties	For Impact Assessment

## 7.2 References

Ref	Document Title	Owner	Issue Date
1	<a href="#">Issue 32 Report</a>	ELEXON	10/07/08
2	<a href="#">Issue 33 Report</a>	ELEXON	
3	<a href="#">P232 Initial Written Assessment</a>	ELEXON	09/01/09
4	<a href="#">The Fuel Security Code</a>	DECC	10/07
5	<a href="#">Fuel Security Code Guidance</a>	DECC	10/07

## **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 [P232 page of the ELEXON Website](#).

Date	Event
23/12/08	Modification Proposal raised by National Grid
23/12/08	Attachment 1 Issue Group 32 Report
23/12/08	Attachment 1 Issue Group 32 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

### Modification Group Membership

Member	Organisation	23/01	29/01	13/02
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			
Diane Mailer	ELEXON (Lawyer)	✓	✓	✓
Natalie Pike	ELEXON (Lawyer)	✗	✓	✗
John Lucas	ELEXON (Design Authority)	✓	✓	✓
Justin Andrews	ELEXON (Service Delivery)	✗	✓	✗
Claire Rozyn	Ofgem	✓	✓	✓
Jonathan Amos	Ofgem	✓	✗	✗

### 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.
- 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 (SIP)**

Analysis of various different types of calculation for the Single Imbalance Price was provided to the Group and is attached in Appendix 4. This analysis shows the Single Imbalance Price (SIP) calculated as proposed in this modification and associated calculations:

- The SIP 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 SIP with the SBP and SSP using data from September 2008 as the 30-day historic period, and including the Median and Trimmean (at 20%) for the same data to show a price comparison to the median.
- The SIP 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 SIP 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 4 contains a table containing the SIP 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 SIP using the proposed methodology for the 4<sup>th</sup> of 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 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 SIP 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 SIP Mean methodology was sufficiently high enough.

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 is only expected to last a couple of weeks at the most: see P231 for further background information). The Group discussed whether the BSC Panel should have the ability to adjust the SIP 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 SIP methodology is adjusted.

An important distinction was made between adjusting a Single Imbalance Price and adjusting the SIP methodology. The current methodology will provide 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 SIP 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 SIP methodology (as set out in P232) was not broadly reflective of the bulk price of electricity at the time, these included:

- 1) Using more or less days than the 30 day mean (but continuing to produce a price for each Settlement Period);
- 2) 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
- 3) Using the 30 day average for the first 30 day period, then using (i) another price, or (ii) indexing the price in accordance with (2) 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 SIP 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 *is not to* contain guidance for the BSC Panel on adjusting the SIP 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 Q 8 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 the 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<sup>5</sup> (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 specify anything).

### ***Alternative Modification***

This 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 Three) 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 19<sup>th</sup> or 59<sup>th</sup> 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

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<sup>5</sup> Note the FSC states 60 days only, not Business Days or Working Days

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 Fuel Security Code 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 Fuel Security Code 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 Fuel Security Code Direction. However, a claim cannot be made by any claimant in anticipation of receiving a Fuel Security Code 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, such as the Imbalance Settlements Group (ISG), the Supplier Volume Group (SVG), the



Trading Disputes Committee (TDC) and the Performance Assurance Board (PAB), and also the best place to include the Claims Committee in the BSC. The Group also considered the P6 Committee as an example of a similar committee assessing cost claims. Section B 'the Panel' and Section G 'Contingencies' were considered good options, and the Group endorsed the Proposed Modification to include the recommendations as suggested in the Issue Group 33 report conclusions.

### ***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, one. In the first situation, would the BSC Panel have the authority to over-turn the decisions made by the Claims Committee? But 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 to the outside. 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 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 determined every claimant would have the right to appeal and claims determination to the BSC Panel if they saw fit to do so, but the process does not need to be documented. The BSC Panel, without needing to state so in the BSC, has the right to re-open a claim if new evidence was produced.

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			

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 responsible for establishing the detailed processes for final determination of a valid claim.				Yes	

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>Part 1</p> <ul style="list-style-type: none"> <li>i) The total Claim amount (£) being sought via the Claim;</li> <li>ii) Statement setting out the Claim;</li> <li>iii) Director's certification of the Claim (FSC Claims only) or Authorised Person from the Company (Black Start Claims only);</li> <li>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;</li> <li>v) Evidence in support of the Claim;</li> <li>vi) Notice whether the Generator expects to submit any further evidence (proposed modification only); and</li> <li>vii) Specific calculations and statement regarding the composition of either (a) the Exceptional Costs or (b) the Avoidable Costs (as appropriate) comprising the Claim.</li> </ul> <p>Part 2</p> <p>Claimants may also be asked to provide, on request from the Claims Committee:</p> <ul style="list-style-type: none"> <li>i) Statement from BSC Party's Auditors;</li> <li>ii) Additional information to support/clarify Claim.</li> </ul> <p>Claims not supported by the information contained in Part 1 (and Part 2 if requested) above shall be deemed 'invalid'.</p>			Yes, first part only		
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 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.			Yes		Yes
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	ELEXON 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	
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		

### 3. Alternative Methodology

The Alternative Methodology comprises of all the Requirements above (REQ 1.1 to REQ 2.24) but excluding REQ 2.10 vi) and REQ 2.17. Also clarification is to be added - When the Claim is submitted, the whole claim (as detailed in REQ 2.10 Part 1) must be submitted at once.

### 4. Requirements of the Proposed Modification which have been omitted

Setting a 'de-minimis' threshold will not be included.

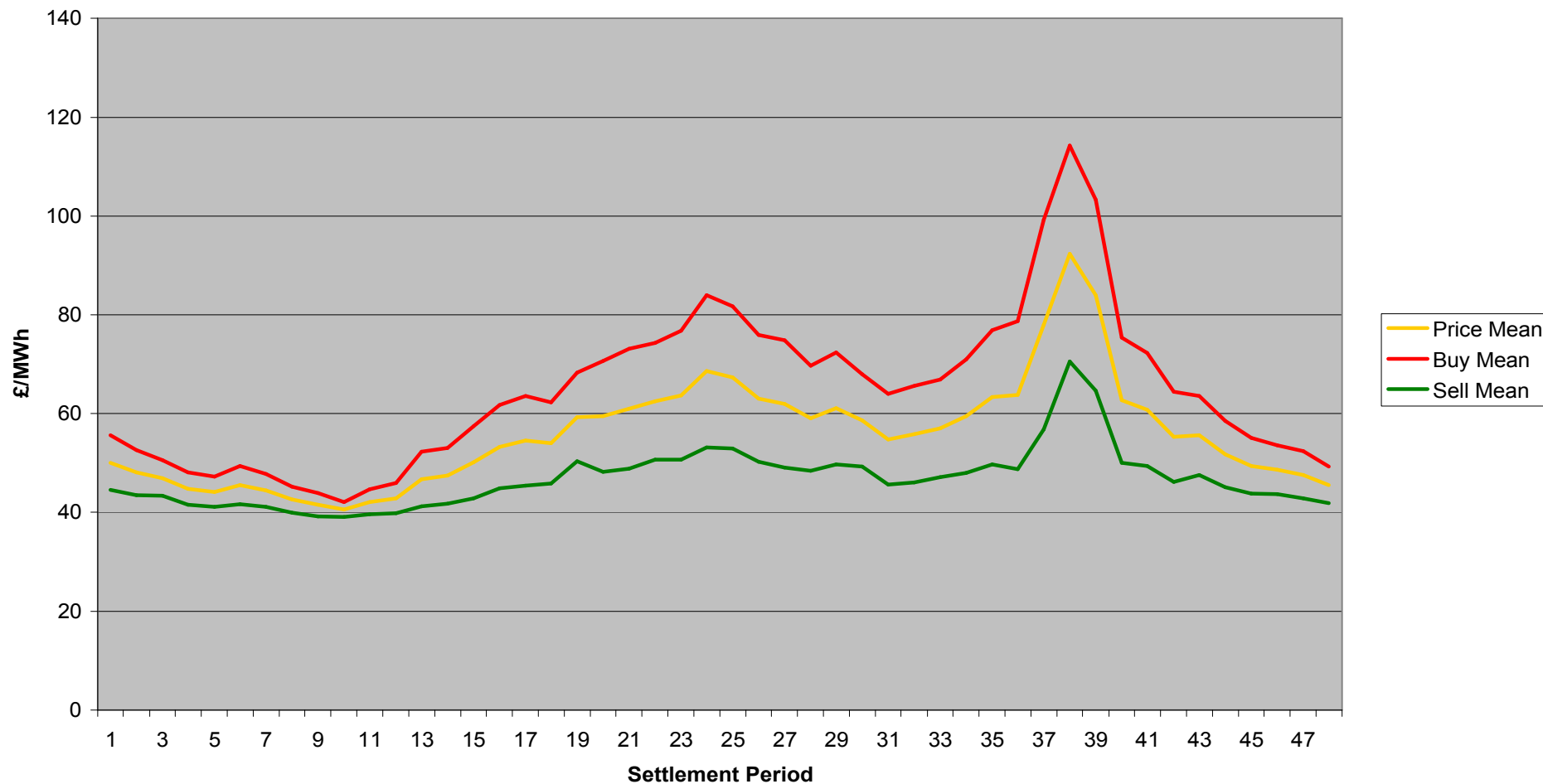
There will be no guidance for the BSC Panel regarding different options for the Single Imbalance Price methodology.

There will be no 'Claims Lite' process.

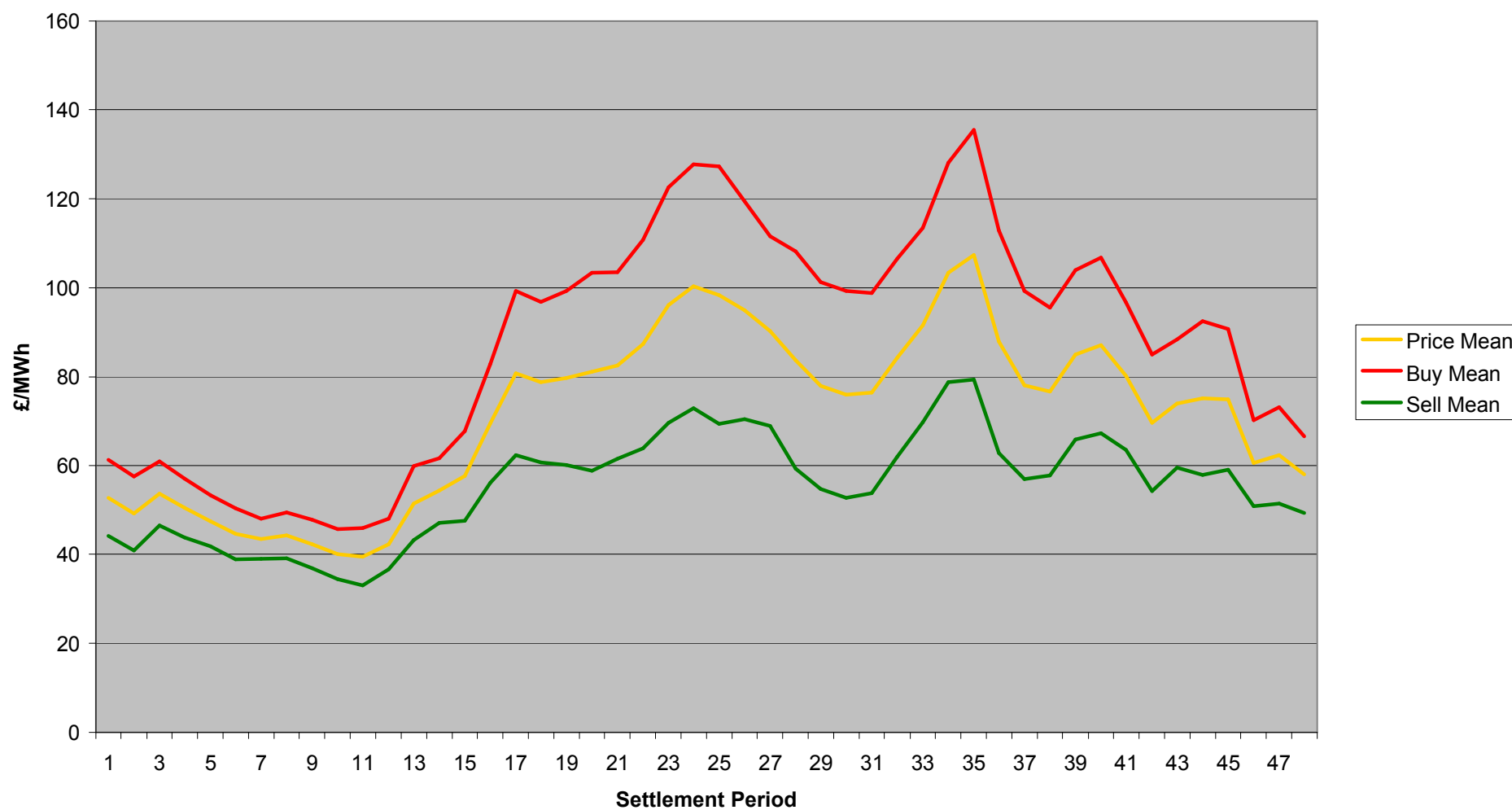


## Appendix 5: Single Imbalance Price – Graph Analysis

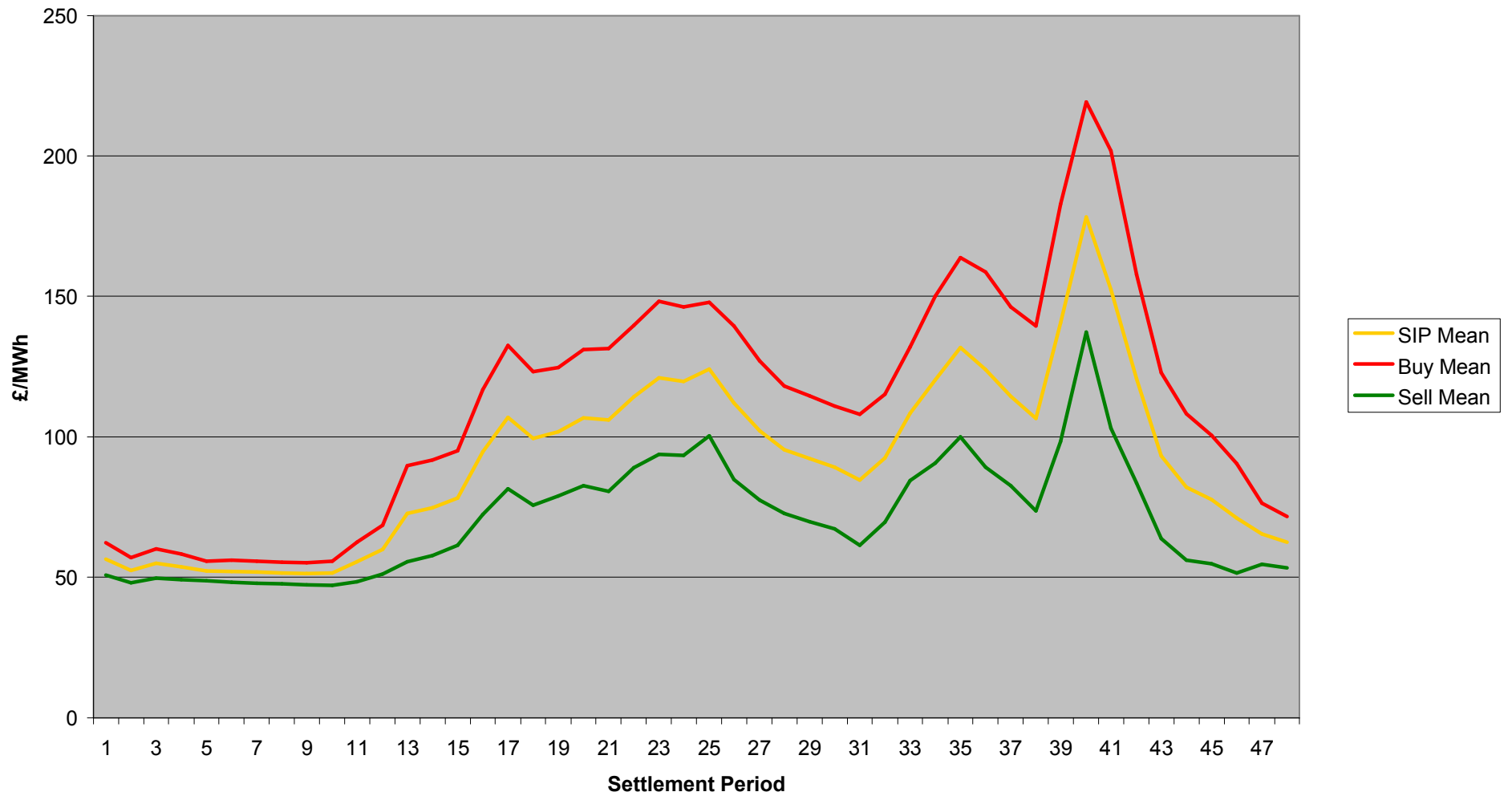
Mean of SBP and SSP (SIP) over 30 Settlement Periods - 1/03/08 to 30/03/08



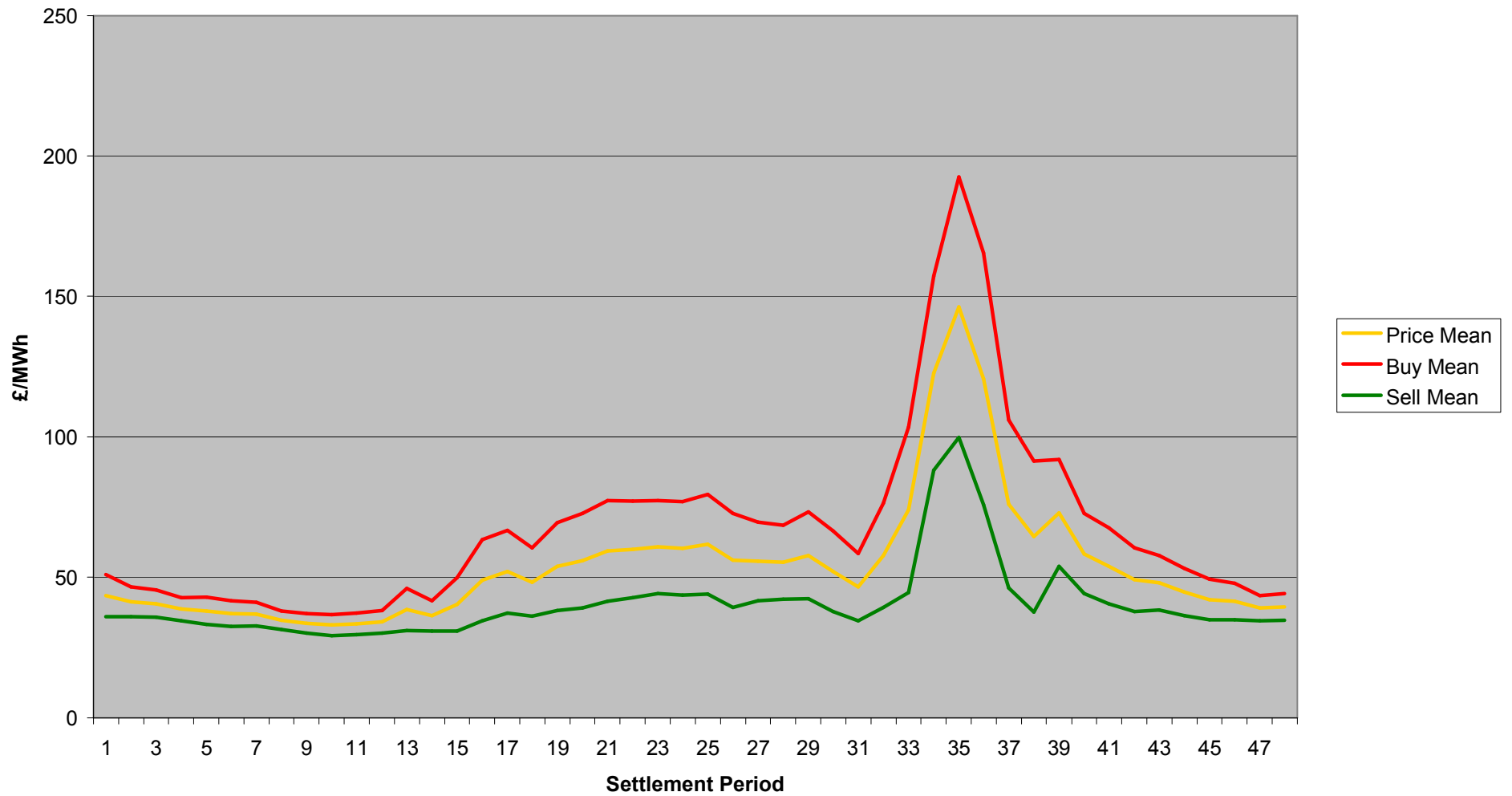
Mean of SBP and SSP (SIP) over 30 Settlement Periods - 1/06/08 to 30/06/08



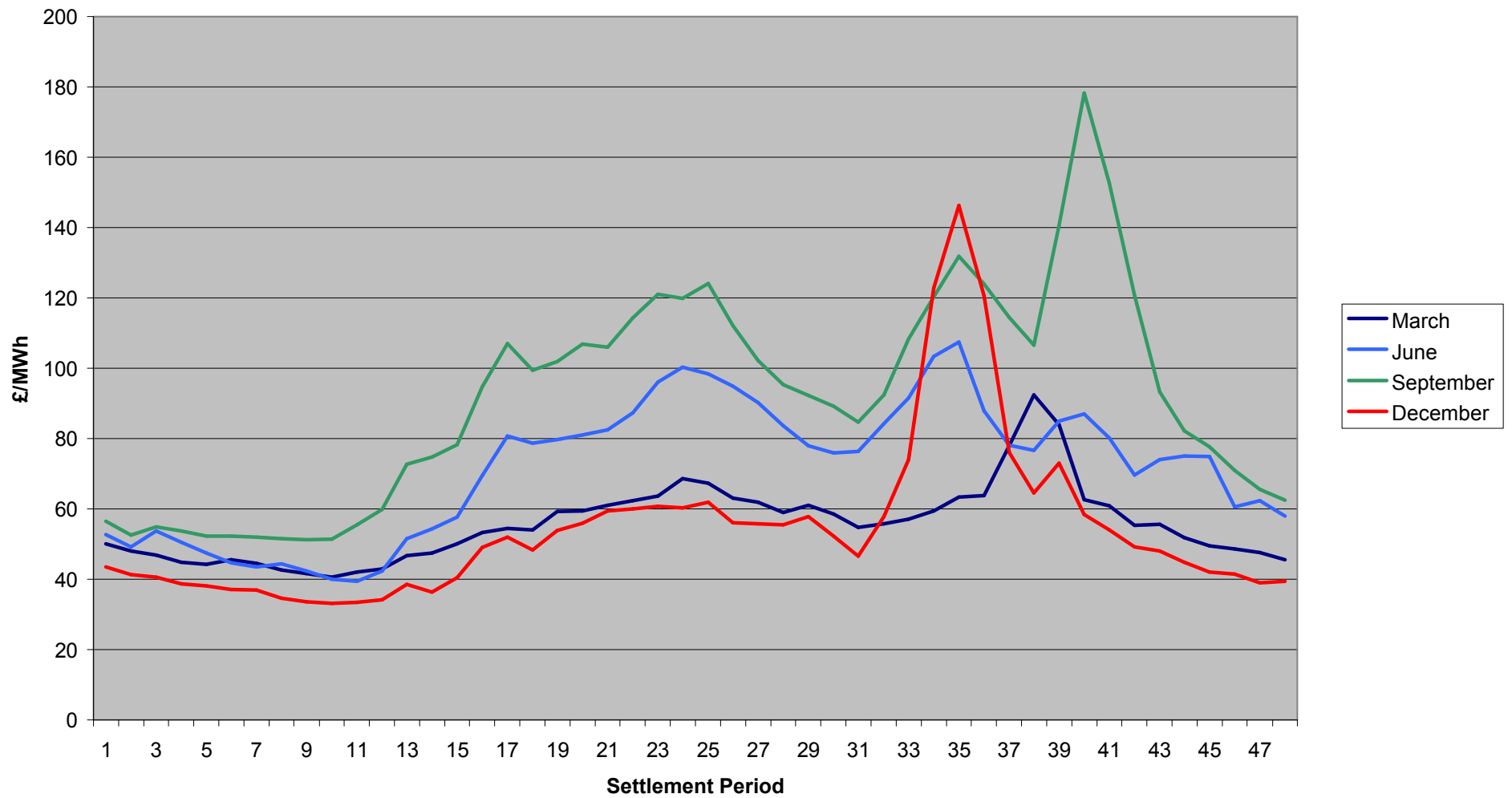
Mean of SBP and SSP (SIP) over 30 Settlement Periods - 1/09/08 to 30/09/08



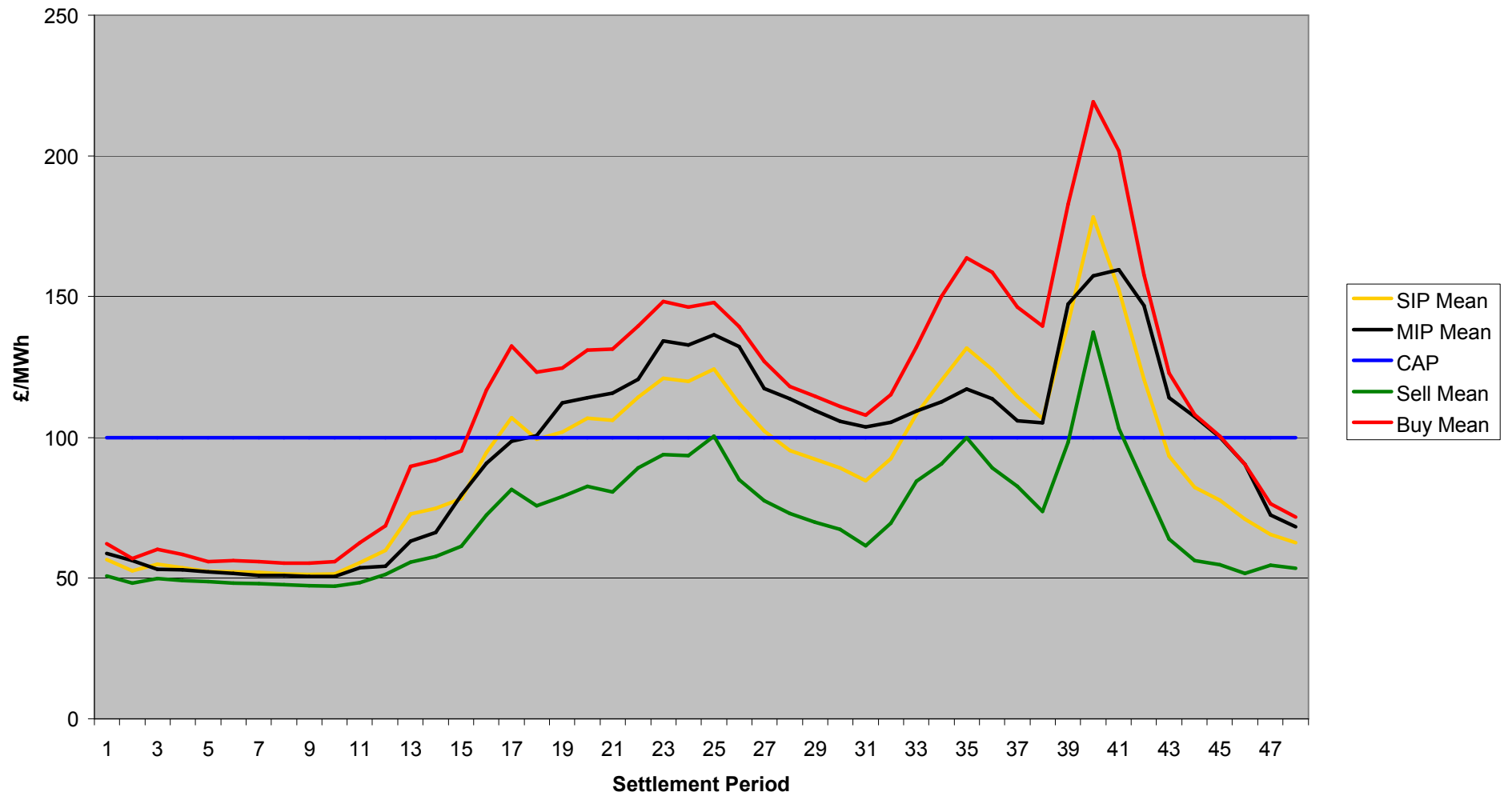
Mean of SBP and SSP (SIP) over 30 Settlement Periods - 1/12/08 to 30/12/08



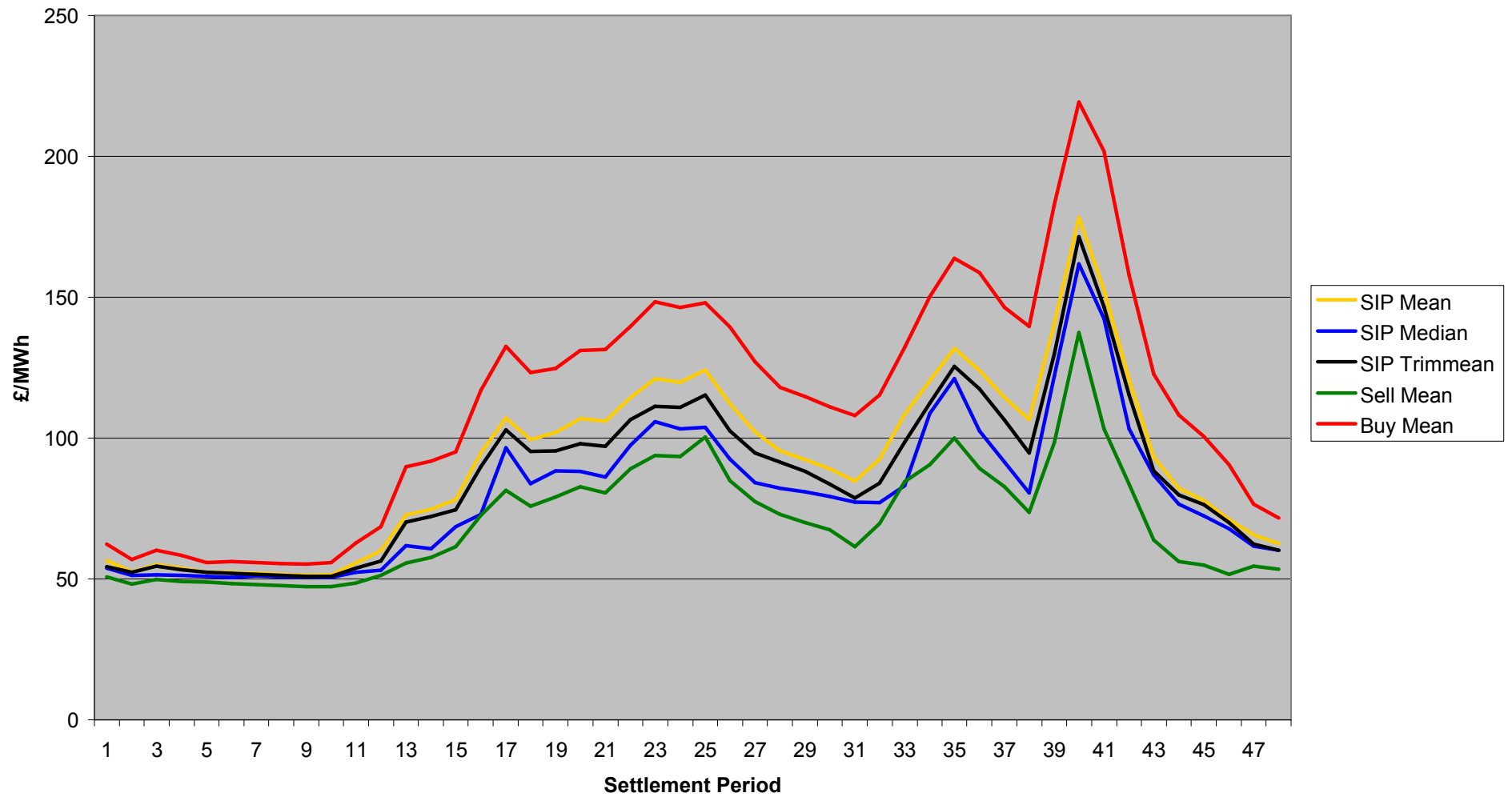
### SIP Calculation shown over four separate months 2008



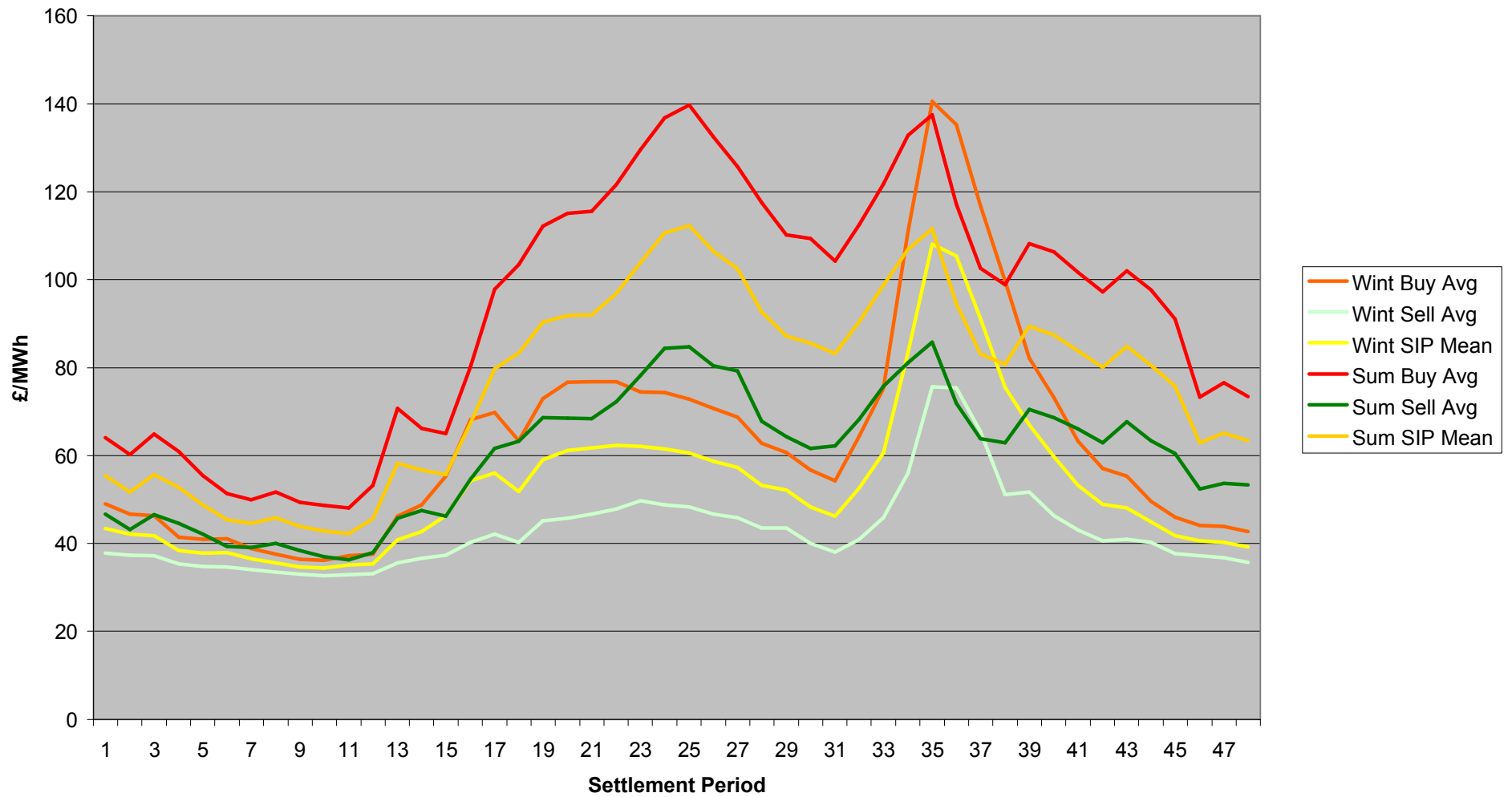
# SIP September 2008 - including SIP, CAP and MIP



# SIP September 2008 - including SIP, Median and Trimmean

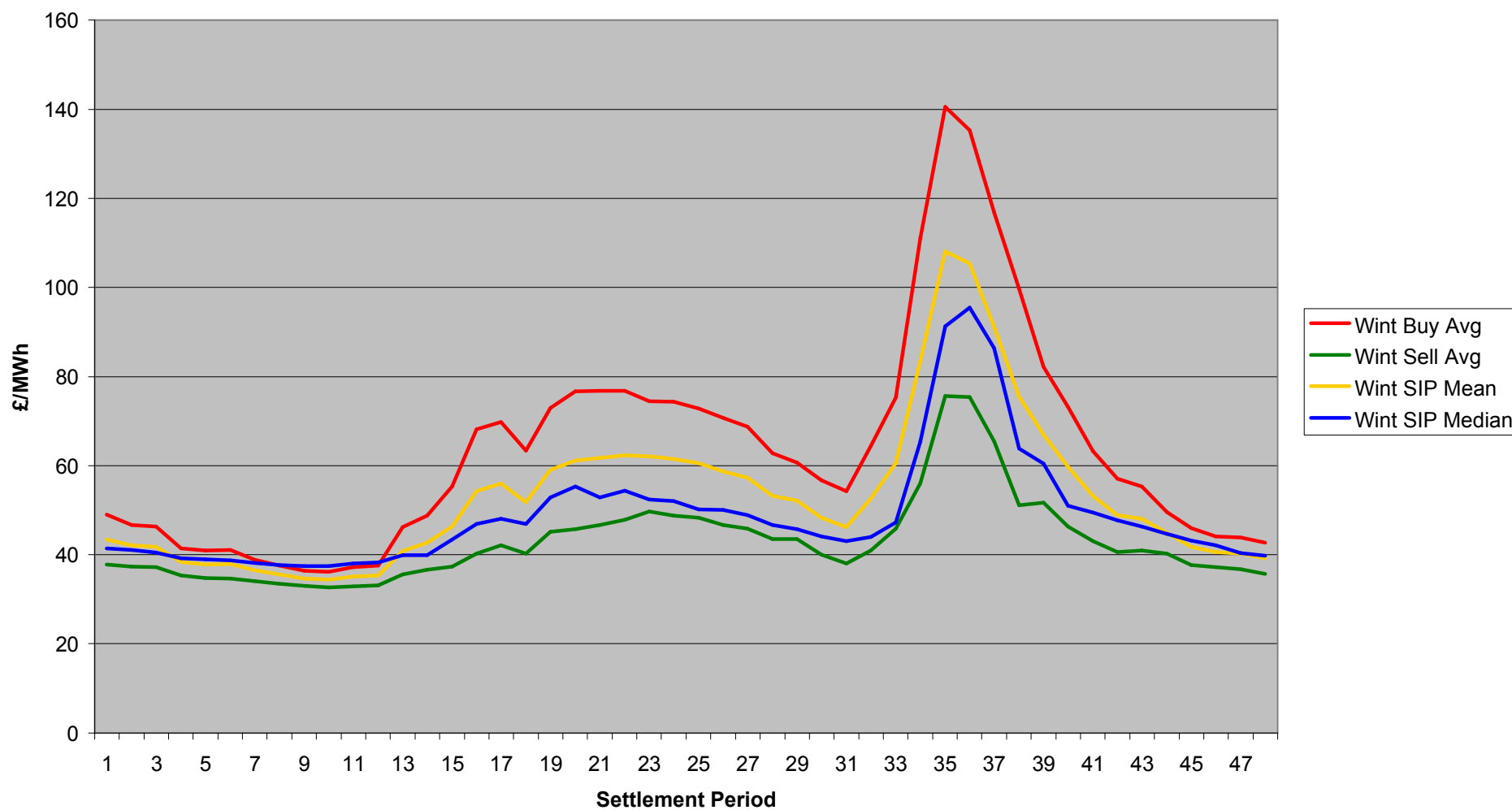


# 90 Day SIP Means for Summer and Winter (Summer 2008 and Winter 2007/08)

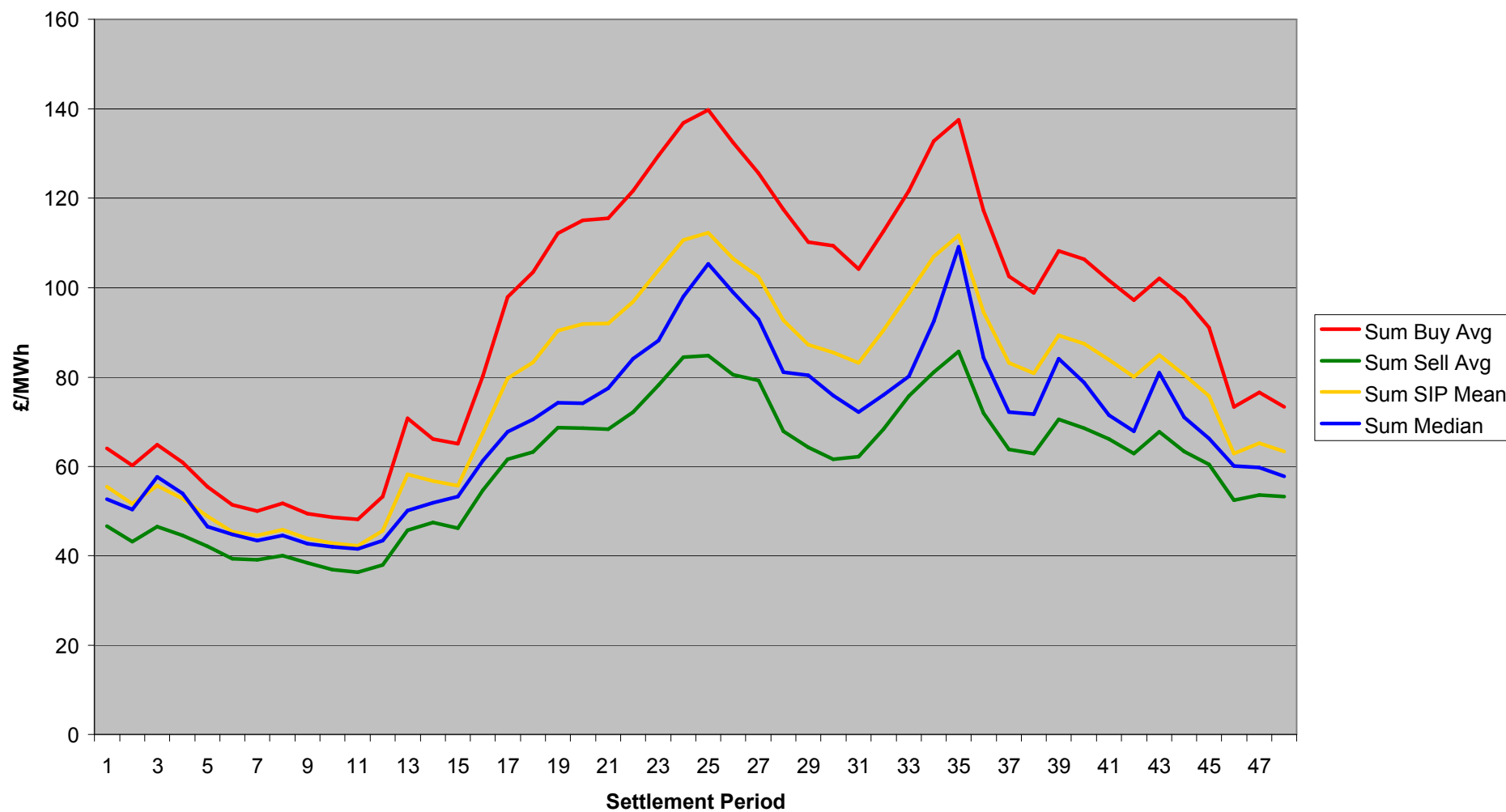




# 90 Day SIP for Winter 2007/08 (1/12/07 to 28/02/08 inclusive)



# 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 One: BSCP – Procedures**

The following procedures are in this Attachment:

- BSCPXX/3.1 Single Imbalance Price Methodology
- BSCPXX/3.2 Formulation of a Claims Committee
- BSCPXX/3.3 Process of Black Start and FSC Claim Submission and Determination

## **Attachment Two: BSCP – Terms of Reference**

This Attachment contains the Terms of Reference for the Claims Committee

## **Attachment Three: BSCP – Forms**

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

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

## **Attachment Four: BSCP – Guidance**

Guidance to be attached to the BSCP from the conclusions of Issue Group 32, Issue Group 33 and the P232 Modification Group.