

Modification Proposal – F76/01	MP No: P61 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by originator):</i> Ad Hoc Adjustments to Settlement involving material errors without resorting to Ad Hoc Settlement Runs	
Submission Date <i>(mandatory by originator):</i> 31 December 2001	
Date Logged <i>(mandatory by BSCCo):</i> 2 January 2002	

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Description of Proposed Modification *(mandatory by originator)*

To make amendments to the current wording of the BSC to ensure that a Trading Party has access to an appropriate form of redress in order to correct a material Settlement error without resorting to an Ad Hoc Settlement Run.

The use of Ad Hoc Settlement Runs (and related Volume Allocation Runs) pre- and post- Final Reconciliation on the resolution of a Trading Dispute is primarily outlined in Sections U and W of the BSC.

Experience to date has shown that resort to the use of an Ad Hoc Settlement Run to correct Settlement errors has been relatively rare. The effect of such an Ad Hoc Run would be to re-run the Settlements process for the entire or part of a particular Settlement Day, possibly more than once in some cases. This would create a complex and inefficient method by which to adjust Settlement in two respects:

- a) Substantial new processes would be required in addition to current systems functionality (for central BSC Agents and BSC Parties) to accommodate the use of Ad Hoc Settlement Runs, involving both considerable cost and time for implementation;
- b) the materiality of the error affecting the Trading Party. Even where a Party was potentially being placed in credit default as the result of a Settlement error, it would be more efficient, on the resolution of a dispute raised by the Party in its favour, for the adjustment for that error to be calculated and rectified through a less elaborate process than an Ad Hoc Settlement Run.

It would, therefore, be more cost effective, and practical, if the standard methodology for adjustment of a material error in Settlement was:

- a) in the case of a pre-Final Reconciliation Run dispute, to undertake the adjustment at the next convenient timetabled Reconciliation Run; and
- b) in the case of a post-Final Reconciliation Run dispute, to undertake the adjustment through a single Dispute Final Run.

Where there is an urgent requirement to make an interim adjustment (as in the credit default example given above), a simple and approximate manual calculation of the error, carried out by the TDC and agreed by the BSC Panel, outside the normal Settlement Runs would be put into effect. Ad Hoc Settlement Runs must therefore be removed from the BSC as the means to effect agreed adjustments.

Description of Issue or Defect that Modification Proposal Seeks to Address *(mandatory by originator)*

The potential for using costly and inefficient multiple Ad Hoc Settlement Runs as the means to adjust Settlement after the resolution of a Trading Dispute involving a material error.

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Impact on Code <i>(optional by Originator)</i>	
<p>All references to Ad Hoc Settlement Runs in the Code (Sections U and W in particular) and in BSCPs should be removed and wording inserted to ensure that the standard methodology adopted in adjusting Settlement after resolution of a Trading Dispute is through a calculation of the material error outside of the normal Settlement Runs by the TDC and agreed by the BSC Panel.</p>	
Impact on Core Industry Documents <i>(optional by Originator)</i>	
None.	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i>	
None.	
Impact on other Configurable Items <i>(optional by originator)</i>	
None.	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i>	
<p>In view of the rarity of such an event, the proposed modification would be a more cost effective method of managing the adjustment to Settlement and “promoting efficiency in the implementation and administration of the balancing and settlement arrangements” (paragraph 3 of Condition C3 of the Transmission Licence).</p>	
Details of Proposer:	
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Details of Proposer’s Representative:

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Details of Representative’s Alternate:

Name.....
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Attachments: No *(delete as appropriate) (mandatory by originator)*

If Yes, Title and No. of Pages of Each Attachment:

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