

Modification Proposal – F76/01

MP No: 72

(mandatory by ELEXON)

Title of Modification Proposal *(mandatory by originator):*

Correction Of A Minor Inconsistency In The BSC Arbitrage And Trade Tagging Methodology

Submission Date *(mandatory by originator):* 14 March 2002

Description of Proposed Modification *(mandatory by originator):*

The Modification Proposal seeks to correct a minor inconsistency in the BSC Arbitrage and Trade Tagging Methodology and to bring the BSC in line with the current software implementation within Central Systems. The proposal is to amend the BSC so that if several Offers (or Bids) have the same price as each other and one of them is in line for arbitrage or trade tagging according to the ranking of accepted Offers (or Bids), then each equally priced Offer (or Bid) will be tagged in proportion to its accepted volume.

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

It is possible to illustrate the issue by considering the System Buy Price (SBP) and trade tagging. Other cases involving the System Sell Price (SSP) or arbitrage tagging are entirely analogous.

According to Annex T-1 of the BSC, the set of all accepted Offers, which are neither De Minimis Offers nor Arbitrage Offers will be ranked in price order, most expensive first. When several accepted Offers have the same price as each other, the BSC states that the ordering of such Offers will be random.

Under the current BSC, any trade tagging of Offers would take place sequentially, based on the ranking of Offers. If several accepted Offers had the same price as each other and if the Transmission Loss Multipliers (TLMs) assigned to the Balancing Mechanism Units (BMUs) submitting these Offers were different, then the System Buy Price would, in general, be sensitive to the result of the random ordering of such Offers. In particular, the SBP could change randomly between settlement runs.

The materiality of the issue is potentially large but, in practice, has been small.

Impact on Code *(optional by Originator):*

Annex T-1 of the BSC.

Impact on Core Industry Documents *(optional by Originator):*

None.

Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties *(optional by originator):*

None.

Impact on other Configurable Items *(optional by originator):*

None.

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Justification for Proposed Modification with Reference to Applicable BSC Objectives *(mandatory by originator):*

This Modification Proposal rectifies a minor inconsistency in the BSC Arbitrage and Trade Tagging Methodology. The proposed clarification was agreed by the Central NETA Programme during NETA implementation and was reflected in the Settlement Administration Agent System Specification. However, the BSC itself was never amended to reflect this clarification and is therefore inconsistent with the (clarified) implementation within BSC Central Systems.

ELEXON has recommended to the Panel, and the Panel have agreed, that this Modification Proposal meets the conditions set out in Section F2.1.1 paragraphs (i) and (iv) of the BSC, and in particular that it facilitates Applicable Code Objective C3(d) of the Transmission Licence, as it would be useful in "promoting efficiency in the implementation and administration of the balancing and settlement arrangements."

Details of Proposer *(mandatory by originator):*

Name:

Organisation: BSC Panel

Telephone Number:

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Attachments *(mandatory by originator):* **NO**

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

Notes:

1. Sections containing '*(mandatory by originator)*' must be completed by the proposer prior to submission of the form to ELEXON.
2. Press F1 on your keyboard while selecting the shaded area in a section of the form to view guidance notes for the completion of that section.