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MODIFICATION REPORT
MODIFICATION PROPOSAL P49
Timing of Publication of P18 Option
A Prices on the BMRS

Prepared by ELEXON on behalf of the Balancing
and Settlement Code Panel

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II CONTENTS TABLE

I	Document Control.....	2
a	Authorities.....	2
b	Distribution.....	2
c	Intellectual Property Rights and Copyright.....	2
II	Contents Table	3
1	Summary and Recommendations	4
1.1	Recommendation.....	4
1.2	Background.....	4
1.3	Rationale for Recommendations.....	4
2	Introduction.....	6
3	Purpose and Scope of the Report	7
4	History of Proposed Modification.....	8
5	Description of Proposed Modification.....	9
6	Rationale for Panel Recommendations	10
7	Legal Text to Give Effect to the Proposed Modification.....	11
7.1	Conformed Version	11
7.2	Clean Version	11
8	Assessment	12
9	Summary of Representations.....	13
Annex 1	– Representations	14

1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal, and the resultant findings of this report, the Panel recommends to the Authority that:

The Proposed Modification P49 should be approved and implemented with immediate effect from the Authority decision.

1.2 Background

Modification Proposal P49 was submitted on 31 October 2001 by the Panel. The Modification Proposal seeks to modify the BSC so as to correct an omission in the legal drafting for Modification P18 Option A.

Modification Proposal P18 Option A excludes Bid/Offer Acceptances (BOAs) from imbalance price calculations for a Settlement Period if the Continuous Acceptance Duration (CAD) of a single acceptance, or a group of acceptances, is less than the Continuous Acceptance Duration Limit (CADL).

When the Panel determined the definition of CAD whilst agreeing P18 Option A, it also recognised that there would need to be a delay of up to 45 minutes in reporting Indicative Energy Imbalance Pricing Data by the Balancing Mechanism Reporting Agent (BMRA) on the Balancing Mechanism Reporting Service (BMRS) when the enduring solution of Modification Proposal P18 Option A starts to be implemented in the BSC Systems on 27 March 2002. This delay after the end of the relevant Settlement Period has already been incorporated in the Service Description for the BMRA and will be incorporated in the software changes for the enduring solution by 27 March 2002.

However, a corresponding change to an existing paragraph in Section V was omitted from the legal drafting for Modification Proposal P18 Option A such that Section V still refers to a delay of 15 minutes. As a result of the omission in the legal drafting of the BSC, the enduring solution for Modification Proposal 18 Option A will be inconsistent with the BSC when it is implemented in March 2002.

1.3 Rationale for Recommendations

The Modification Proposal is intended to modify the BSC so as to correct an omission in the legal drafting for Modification P18 Option A. The enduring solution for Modification Proposal P18 Option A is due to be implemented in the BSC Systems on 27 March 2002. Modification Proposal P18 Option A included a definition that required a delay to the publication of Indicative Energy Imbalance Pricing Data on the BMRS by up to 45 minutes after the end of the relevant Settlement Period.

The software changes for the BMRA system and the BMRA Service Description for the enduring solution for Modification Proposal P18 Option A will allow a delay for publication of Indicative Data on the BMRS of up to 45 minute. Section V, paragraph 2.3.3(b), of the BSC currently requires the BMRA to publish Indicative Energy Imbalance Data on the BMRS 15 minutes after the end of a Settlement Period. Once Modification P18A is implemented in the BSC Systems, the BMRA will not be able to capture the necessary data and carry out the required calculation within the 15 minutes specified by the BSC. This is because the definition of CADL ensures that the Energy Imbalance Prices cannot be calculated until CADL minutes after the end of the Settlement Period. Instead, the BMRA will start to calculate Energy Imbalance Prices 35 minutes after the end of the Settlement Period and publish the prices on the BMRS by 45 minutes after the end of the Settlement Period. If Section V is not changed as originally intended

when P18 Option A was agreed, the BMRA would be inconsistent with the BSC. Modification Proposal P49 is intended to correct this omission from the legal drafting.

2 INTRODUCTION

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

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC website, at www.elexon.co.uk

3 PURPOSE AND SCOPE OF THE REPORT

BSC Section F sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'. These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications.

The BSC Panel is charged with supervising and implementing the modification procedures. ELEXON provides the secretariat and other advice, support and resource required by the Panel for this purpose. In addition, if a modification to the Code is approved or directed by the Authority, ELEXON is responsible for overseeing the implementation of that amendment (including any consequential changes to systems, procedures and documentation).

A Modification Report must be prepared and submitted to the Authority in respect of each proposed modification and must contain:

- (a) The recommendation of the Panel as to whether or not the Proposed Modification or any Alternative Modification should be made;
- (b) The proposed Implementation Date for implementation of the Proposed Modification or any Alternative Modification;
- (c) The matters set out in Annex F-1 of the BSC. This will usually be in the form of the relevant Assessment Report where the Proposal has been submitted to a Modification Group prior to the Report Phase;
- (d) An explanation of the Panel's rationale should the Panel form a different view of any matters contained in the Modification Group Report; and
- (e) A summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Proposed Modification and any Alternative Modification.

4 HISTORY OF PROPOSED MODIFICATION

Modification Proposal P49 was submitted on 31 October 2001 by the Panel. An Initial Written Assessment (IWA) of the Modification was prepared by ELEXON and considered by the Panel meeting on 15 November 2001 (see, Attachment 1 to this report). The Panel decided that there was no need for the Modification Proposal to be submitted to the Definition or Assessment Procedures and that the Modification Proposal should proceed directly to the Report Phase with a recommendation that the Modification Proposal be approved. A Modification Report was prepared by ELEXON and sent for industry consultation on 21 November 2001. Following receipt of responses to this consultation and incorporation of the responses into the Modification Report, the Modification Report was submitted to the Panel meeting on 13 December 2001. The Panel agreed to recommend to the Authority that Modification Proposal P008 be approved.

5 DESCRIPTION OF PROPOSED MODIFICATION

The enduring solution for Modification Proposal P18 Option A is due to be implemented in the BSC Systems on 27 March 2002. Modification Proposal P18 Option A included a requirement that allowed the BMRA to publish Indicative Pricing Data on the BMRS up to 45 minutes after the end of the relevant Settlement Period. Modification Proposal P49 seeks to modify the BSC so as to correct an omission in the legal drafting for Modification P18 Option A.

The software changes for the BMRS and the BMRA Service Description for the enduring solution for Modification Proposal P18 Option A will allow a 45 minute delay for publication of Indicative Data on the BMRS. However, Section V of the BSC was not changed to increase the maximum period for the BMRA to publish Indicative Data on the BMRS from 15 to 45 minutes. Modification Proposal P49 is intended to correct this omission from the legal drafting for Modification Proposal P18 Option A. If the Modification Proposal is not implemented then the BMRA will be inconsistent with the BSC when the enduring solution for Modification Proposal P18 Option A is implemented on 27 March 2002.

6 RATIONALE FOR PANEL RECOMMENDATIONS

Following submission of the Modification Proposal, ELEXON prepared an IWA that was considered by the Panel. The Panel endorsed the views set out in the IWA that the Modification Proposal should be implemented, as it would correct an omission in the legal drafting of the BSC.

The enduring solution for Modification Proposal P18 Option A is due to be implemented in the BSC Systems on 27 March 2002. Modification Proposal P18 Option A included a requirement, which allowed the BMRA to publish Indicative Pricing Data on the BMRS up to 45 minutes after the end of the relevant Settlement Period. This was discussed by both the Modification Group and the Panel during their consideration of Modification Proposal P18 Option A and hence was a recognised implication.

The software changes for the BMRA system and the BMRA Service Description for the enduring solution for Modification Proposal P18 Option A will allow a maximum total delay of 45 minutes for publication of Indicative Data on the BMRS. However, Section V of the BSC was not changed to increase the period for the BMRA to publish Indicative Data on the BMRS from 15 to 45 minutes. Modification Proposal P49 is intended to correct this omission from the legal drafting for Modification Proposal P18 Option A. If the Modification Proposal is not implemented then the BMRA will be inconsistent with the BSC when the enduring solution for Modification Proposal P18 Option A is implemented on 27 March 2002.

In light of the above considerations, the Panel has concluded that the Modification Proposal would better facilitate the Applicable BSC Objectives as set out in Condition C3 paragraph 3 of the Transmission Licence. In particular, it would meet primarily objective C3 paragraph 3(d) "promoting efficiency in the implementation and administration of the balancing and settlement arrangements".

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal, the Panel recommends to the Authority that the Modification Proposal be approved and implemented with effect from the Implementation Date described in Section 1.1. This Modification Report should be read in conjunction with the ELEXON IWA.

7 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

7.1 Conformed Version

Section V

2.3.3 BMRS data will be available on the BMRS as follows:

- (a) data provided by the Transmission Company pursuant to Section Q (and listed in Table 1) will be available within 5 minutes after the BMRA received such data from the Transmission Company;
- (b) data relating to a Settlement Period and established by the BMRA in accordance with paragraph 2.6 will be available within **45** minutes after the end of the relevant Settlement Period

7.2 Clean Version

Section V

2.3.4 BMRS data will be available on the BMRS as follows:

- (c) data provided by the Transmission Company pursuant to Section Q (and listed in Table 1) will be available within 5 minutes after the BMRA received such data from the Transmission Company;
- (d) data relating to a Settlement Period and established by the BMRA in accordance with paragraph 2.6 will be available within 45 minutes after the end of the relevant Settlement Period

8 ASSESSMENT

ELEXON prepared an IWA of the Modification Proposal that is included as Attachment 1 to this report. The IWA concluded that the Modification Proposal was intended to correct an omission in the legal drafting for Modification Proposal P18 Option A. It should be noted that the IWA did not identify any impact on Code Subsidiary documents. Subsequently it has been identified that Balancing and Settlement Code Procedure BSCP01, Overview of Trading Arrangements, will need to be amended if Modification Proposal P49 is implemented.

9 SUMMARY OF REPRESENTATIONS

Seven responses were received to the consultation on the Draft Modification Report representing the views of thirty-three Parties. Five of the responses, representing twenty-eight Parties, were supportive of the Proposed Modification and the Panel's rationale in recommending the adoption of the revision, stating that it would better facilitate the Applicable Code Objectives. One of these responses, representing five Parties expressed concern that the change was not highlighted in the original legal drafting.

One response, representing three Parties, expressed concerns as to whether the time delay stated in the draft Modification Report for the BMRA to publish Indicative Data on the BMRS was correct. They felt that the time delay should be defined as CADL plus 15 minutes rather than 45 minutes as stated in the draft Modification Report.

One response, representing two Parties, objected to implementation of the Modification Proposal on the grounds that it was contrary to the Applicable BSC Objectives and NGC's Licence objective as reporting prices 45 minutes after the end of a Settlement Period instead of within 15 minutes did not improve operation of the Trading Arrangements.

ANNEX 1 – REPRESENTATIONS

Responses from P49 Draft Modification Report Consultation

Consultation issued 21 November 2001

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	TXU	P49_MR_001	14
2.	British Gas Trading	P49_MR_002	4
3.	SEEBOARD	P49_MR_003	1
4.	British Energy plc	P49_MR_004	3
5.	ScottishPower UK Plc	P49_MR_005	5
6.	Slough Heat & Power	P49_MR_006	2
7.	London Electricity plc	P49_MR_007	4

P49_MR_001 – TXU

Thank you for the opportunity to comment on the above proposal. TXU Europe Energy Trading Ltd., on behalf of all TXU Europe companies (14), would like to make the following comments. TXU support the implementation of P49 in order that the legal drafting in the Balancing and Settlement Code is accurate.

Regards
Nicola Lea
Market Development Analyst
TXU Europe Energy Trading Ltd.

P49_MR_002 – British Gas Trading

Modification Proposal 49: Timing of Publication of P18 Option A Prices on the BMRS

Thank you for the opportunity of responding to this modification. This response is on behalf of British Gas Trading, Accord, Centrica King's Lynn and Centrica Peterborough.

We recognise the need for this modification due to an oversight in the legal drafting for Modification P18A. As such we agree Modification Proposal 49 will better facilitate the Applicable Objectives, particularly in promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

Yours faithfully
Danielle Lane
Transportation Analyst

P49_MR_003 – SEEBOARD

We agree that this modification is required to maintain consistency with BSC and related documents and have no comments on its detail.

Dave Morton
SEEBOARD
0190 328 3465

P49_MR_004 – British Energy plc

The Go-live BSC allowed 15 minutes for collection of data, calculation and reporting of Balancing Mechanism Prices. Modification P18 requires an additional time of at least CADL (Continuous Acceptance Duration Limit) for additional data required to be included in the price calculation. We believe the time allowed for reporting should be changed from 15 minutes to 15 minutes + CADL, which with CADL=15 minutes would give 30 minutes initially.

A change from 15 minutes to 30 minutes does not seem appropriate. In any case, the relevant service providers should be encouraged to report the relevant data and prices as soon as possible, and we hope that faster reporting will be achieved in due course as systems and processes improve.

Rachel Ace

for

British Energy Power & Energy Trading Ltd

British Energy Generation Ltd

Eggborough Power Ltd

P49_MR_005 – ScottishPower UK Plc

A.1.1

Modification Proposal P49 – Timing of Publication of Indicative P18 Option A Prices on the B.M.R.S

I would like to thank you for this opportunity to comment on the Modification Report for P49.

We support this Modification Proposal as it promotes efficiency in the trading arrangements, but would raise concerns about why this particular change was not highlighted in the original legal drafting for Modification P18A, leading to the raising of this proposal. This is surely not an efficient use of the Modifications process, which is the Applicable BSC Objective, which this proposal purports to fulfil.

We are also concerned that the ELEXON 'Initial Written Assessment' indicated a cost for impact assessment of £10k for such a minor change. We hope that this is not intended to set a precedent and that more care will be taken in future to ensure that all relevant legal changes linked to a particular proposal are picked up at the time rather than through a subsequent proposal

I trust you will find these comments helpful.

Yours Sincerely,

Abid Sheikh

For and on behalf of: -

ScottishPower UK Plc.

SP Energy Trading Ltd.

SP Generation Ltd.

Scottish Power Energy Retail Ltd.

Emerald Power Generation Ltd.

P49_MR_006 – Slough Heat & Power

P49 should not proceed. It is claimed that reporting prices 45 minutes after the end of the period instead of within 15 minutes after the end of the period improves the operation of the Trading Arrangements. This is not so. It is clearly contrary to the BSC objectives and NGC's Licence objectives in that it:

1. does not promote competition in the generation and supply of electricity (prices less timely and thus more opaque than at present)
2. discriminates between parties to the BSC (in that those smaller participants who use BMRS data instead of bespoke computerised modelling systems have to wait three times longer to receive data)
3. it is not more efficient (as mentioned above, less timely price reporting is more opaque)

It was claimed in the assessment report that the modification should not consider timely price reporting. Approval or otherwise of this modification will determine whether timeliness of reporting is desirable unless Ofgem determine P38 first.

Approval of this modification would illustrate that it is accepted that NETA is failing to meet its own objectives (since the price reporting will be less timely than was determined as appropriate pre go-live).

Steve Garrett
Slough Energy Supplies Ltd
Fibre Power (Slough) Ltd

P49_MR_007 – London Electricity plc

On behalf of London Electricity, SWEB Ltd, Jade Power, and Sutton Bridge Limited

London Electricity welcomes the opportunity to comment on modification P49. The BSC has erroneously not been updated to reflect the implementation of Modification P18 Option A.

Section V of the BSC still refers to a delay of 15 minutes after the end of an actual period before imbalance settlement prices are to be published; however, the effect of modification 18A as drafted (with a maximum parameter "CADL_Max" of 30 minutes, although CADL is currently set to 15 minutes) means that Section V cannot be given effect, even in a later release of settlement software. To give effect to the relevant part of Section V as drafted is technically impossible in the context of mod 18A.

Modification 49 therefore amounts to the updating of Section V of the BSC to make it consistent with, and correct in the light of, the passing of modification 18A. The passing of modification 49 will clearly better facilitate BSC Objective D, efficient administration of the code, and we support the modification.

We note with regret that, nonetheless, Mod 18A - compliant imbalance cashout prices will not be published until several days after real time until at least March 2002, and restate our position, spelled out in more detail in our recent response to modification 38, that this delay is unacceptable.

There will be no costs within LE for the implementation of P49 and we require no notice before implementation. The central allowance by Elexon of £10k costs sounds generous.

Yours sincerely,
Liz Anderson