

Modification Proposal

MP No: 35
(mandatory by BSCCo)

Title of Modification Proposal (mandatory by proposer):

Qualified ECVNAs

Submission Date (mandatory by proposer): 5th September 2001

Description of Proposed Modification (mandatory by proposer):

The BSC should be changed to recognise the status of appropriately "Qualified ECVNAs" such that any contract notifications held by them at Gate Closure are considered to be firm Settlement Data for the purposes of imbalance settlement, irrespective of whether such contract notifications are received by the ECVAAs prior to Gate Closure. Qualified ECVNAs will be required to meet defined standards of independence, performance and auditability, and be subject to appropriate penalties for non-performance, including removal of status. In essence, Qualified ECVNAs are able to submit notifications after gate closure, although the expectation and requirement is that this would be a very rare event.

This proposal is envisaged to be simply a change to administrative controls, and should not require central systems changes. Qualified ECVNAs are an additional option existing alongside, not replacing, the existing ECVNA arrangements.

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

A number of reasons have been cited for the lack of liquidity in the short term markets and they include: inadequate reporting from central systems of notified contracts, the length of Gate Closure, and the inability to undertake dual contract notification. This modification seeks to address these problems by treating data held by suitably Qualified ECVNAs as "firm" for imbalance settlement.

Although Gate closure is currently set at three and half hours, in practice BSC Parties are unable to trade less than four hours before delivery. APX is typical of other power exchanges and third party ECVNAs in that it closes its service 30 minutes before gate closure to provide sufficient contingency to successfully notify positions to the ECVAAs. A Power Exchange, who acts as an ECVNA, would be able to allow trading and third party notifications right up until gate closure if the current risks associated with contract notification were eliminated.

If the ECVNA is holding firm data, they will be in a position to offer higher value services to participants according to their needs:

1 - Enhanced reporting of up to date notified positions (in part fulfilled by the P4 Alternative Modification, due for release 30th September 2002);

2- Dual Notification, giving effect to the rejected P4 modification which still has wide industry support.

Furthermore, by having a number of Agents aggregating contract notifications, the volume of contract submissions to the ECVAAs may well be reduced, potentially improving the performance of the ECVAAs system.

Impact on Code (optional by proposer):

Impact on Core Industry Documents (optional by proposer):

Modification Proposal

MP No: 35
(mandatory by BSCCo)

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

This proposal is consistent with the current BSC Systems and Processes; minimal / zero impact is anticipated. No mandatory system changes are required by BSC Parties.

Impact on other Configurable Items (optional by proposer):

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

Improved confidence in the contract notification process will:

- i) allow trading closer to gate closure, and
- ii) notification solutions (e.g. improved reporting, dual notification) to be developed to better meet the needs of market participants, thus promoting efficiency in the implementation and administration of the balancing and settlement arrangements. This in turn will improve trading conditions and help promote effective competition in the generation and supply of electricity.

Details of Proposer:

Name: Ian Moss

Organisation: Automated Power Exchange

Telephone Number: 020 7647 9783

Email Address: imoss@apx.com

Details of Proposer's Representative:

Name: Ian Moss

Organisation: Automated Power Exchange

Telephone Number: 020 7647 9783

Email Address: imoss@apx.com

Details of Representative's Alternate:

Name: Ms J Power

Organisation: Automated Power Exchange

Telephone Number: 020 7647 9792

Email Address: jpower@apx.com

Attachments: NO

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