

January 2002

**ASSESSMENT REPORT  
MODIFICATION PROPOSAL P35 –  
Qualified ECVNAs**

**Prepared by the P35 Modification Group on behalf  
of the Balancing and Settlement Code Panel**

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### b Distribution

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Panel	
P035 Modification Group	

### c Related Documents

Reference	Document
Reference 1	Modification Proposal P35 'Qualified ECVNAs' (5 September 2001)
Reference 2	Initial Assessment of Modification Proposal P35 – 'Qualified ECVNAs' (IWA035 20 September 2001)
Reference 3	Definition Report Modification Proposal P35 'Qualified ECVNAs' (MDR035 15 November 2001)
Reference 4	Modification P35 'Qualified ECVNAs' Requirements Specification (028AAR, v1.1 03 January 2002)
Reference 5	Modification to the Balancing and Settlement Code ("BSC") – Decision and Notice in relation to Modification Proposal P19: "To provide for the remedy of errors in Energy Contract Volume Notifications and Metered Volume Reallocation Notifications" (01 August 2001)
Reference 6	Modification Proposal P35 'Qualified ECVNAs' Assessment Consultation Questionnaire (v1.0 03 January 2002)
Reference 7	Modification Proposal P44 'Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test' (001MMU 17 January 2002)

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## **1 SUMMARY AND RECOMMENDATIONS**

See the associated document 'Attachment 1: Executive Summary of the Assessment Report' for the Summary and Recommendations.

## **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.

An electronic copy of this document can be found on the BSC website, at [www.elexon.co.uk](http://www.elexon.co.uk)

### 3 MODIFICATION GROUP DETAILS

This Assessment Report has been prepared by the P35 Modification Group (comprising the Contract Notification Modification Group and the Error Processing Modification Group). The Membership of the Modification Group was as follows:

No.	Member	Organisation
1.	David Warner	ELEXON (Chair)
2.	Mandi Francis	ELEXON (Analyst)
3.	Neil Cohen	ELEXON (Analyst)
4.	Ian Moss	Automated Power Exchange (Proposer)
5.	Mike Harrison	ScottishPower
6.	Andrew Foster	UK Power Exchange
7.	Murray Dyer	Power Ex
8.	Tim Johnson / Peter Bolitho	Powergen
9.	Martyn Hunter	St Clements
10.	Roy Dinsmore	Innogy
11.	Chris Teverson	European Power Source Company (UK)
12.	Nicola Lea / Phil Russell	TXU Europe Energy
13.	Mike Edgar	Transmission Company
14.	Andrew Paddon	Sempra Energy
15.	Simon Hadlington	British Gas Trading
16.	Ben Willis	Yorkshire Electricity
17.	Sharif Islam	TotalFinaElf
18.	Paul Mott	London Electricity
19.	Mark Simons	BP Gas Marketing
20.	Jerome Williams	Ofgem

## **4 DESCRIPTION OF THE PROPOSED MODIFICATION**

### **4.1 Overview of the Proposed Modification**

This section contains the definition of the proposed Modification and is effectively an extract of the Requirements Specification (Reference 4) for Modification Proposal P35. (The Requirements Specification explored a number of options for the implementation of the Modification and the rationale of the P35 Modification Group for each of the options and is presented in Section 5 of this Assessment Report).

The finalised requirement for the implementation of this Modification Proposal is provided in Section 4.2 of this Assessment Report and reflects the options chosen from the Requirements Specification by the P35 Modification Group to support the implementation of the Modification Proposal.

### **4.2 Specification of the Proposed Modification**

The Legal drafting to support this Modification Proposal is provided in ANNEX 1 of this Assessment Report.

It should be noted that the supporting rationale for this definition is not repeated in this section, as it is provided in full in Section 4.3 of this Assessment Report for clarity (and included in Section 5 of this Assessment Report where the rationale behind all options is provided).

#### **4.2.1 Process for Requesting and Receiving Privileged ECVNA Status**

On, or at any time after, successful completion of interface testing and registration within the Central Registration Agent (CRA), an Energy Contract Volume Notification Agent can apply to ELEXON for Privileged ECVNA status.

The ECVNA requesting the Privileged ECVNA status should submit a request form to ELEXON, accompanied by a covering letter on Company Stationery.

The request should contain:

- The company details of the requesting ECVNA; and
- An undertaking that the systems meet, and will continue to meet (until such time as the requesting ECVNA indicates to ELEXON that this is not the case), BSC requirements (these will be detailed for clarity in the request form) in this area. These requirements will be based around electronic timestamping, and auditability of receipt of agreed notifications (see section 4.2.1.1 of this Assessment Report). It is expected that these requirements will be developed by ELEXON, in conjunction with the Performance Assurance Board (PAB) and will be accompanied by a clarification note discussing the requirements to ensure that parties understand the requirements and therefore the implications of the undertaking.

The request should also contain a statement of understanding to the effect that requesting and being granted Privileged ECVNA status is effectively authorisation enabling ELEXON (or other ELEXON delegated party) access to the ECVNAs premises, systems and records for the purpose of verification and audit of any claims raised under the express provisions of the terms relating to the Privileged ECVNA status.

The request should contain a statement to the effect that the requesting ECVNA has either:

- Never been granted Privileged status previously, either under the current Company name, or any previous incarnation of that company; or
- The details and dates of any previous periods where the requesting ECVNA, or any previous incarnation of that ECVNA has had such status.

On receipt of such a request, ELEXON will verify that the requesting ECVNA is:

- A registered ECVNA (i.e. has successfully completed Interface Testing and has been registered in CRA); and
- Has signed the undertaking indicating that they have met BSC requirements with regards to the independence and auditability of their notification systems.

Where the requesting ECVNA meets these criteria, then the Performance Assurance Board (PAB) will confirm the granting of the Privileged ECVNA status to that ECVNA.

Where the requesting ECVNA does not meet these criteria then the PAB will reject the request for Privileged status, stating the reason(s) for rejection.

Where the PAB grants the requesting ECVNA such Privileged status, then ELEXON will log this status against the ECVNA for future verification on receipt of claims. ELEXON will also place a notice on a specific part of the BSC (ELEXON) website stating that the requesting ECVNA has been granted Privileged ECVNA status and providing the effective from date of the status.

#### **4.2.1.1 Notification Agent System Verification and Audit Requirements**

The P35MG agreed that a Performance Assurance Framework should be defined and put in place in order to provide the requirements of the notification agent system. However, the P35MG agreed that at a high level, the requirements from the notification agent system, in order for that notification agent to be granted Privileged status, could (but is not limited to) be defined as follows:

- There should be an identifiable point of delivery with the ECVNA of agreed trades and the point of delivery to the notification agent system should either timestamp such trades, or have an identifiable time associated, via a mechanism that is verifiable;
- Such timestamped trade files are then logged / stored in a manner that is verifiable;
- That such timestamping of received files is tamperproof;
- That such storage of files means that the files are tamperproof in storage;
- All relevant notification agent processes for receipt and creation of such files are verifiable / auditable; and
- That the application of these requirements to the specific notification agent system(s) means that any claim can (where requested) be supported by the relevant evidence to support the value of any agreed trade and the receipt of it by the notification agent in time for submission for the relevant Gate Closure.

**4.2.1.2 Amendments to the Balancing and Settlement Code**

**BSC Section J 'Party Agents' Paragraph 6 'Registration'** requires amendment to Section 6.3 to reflect the registration requirements of the Privileged ECVNA status and to reflect the definition of the additional steps of the registration process in BSC Procedure 71.

**BSC Section X ANNEX X-2** requires addition of a new definition for 'Privileged ECVNA'.

Amendments to other Sections of the Code may be required to support the audit and verification provisions with regards to the Privileged ECVNA.

**4.2.1.3 Amendments to BSC Procedures**

**BSCP71 'ECVNA and MVRNA Registration, Authorisation and Termination'** requires additional steps in the registration process defined in section 3.7, as follows:

The steps defined below follow directly on from those already detailed.

Ref	When	Action	From	To	Information Required	Method
3.7.7	On or after successful registration	ECVNA requests Privileged ECVNA status from BSCCo by provision of Form BSCP71/10 and a covering letter.	ECVNA	BSCCo	Completed Form BSCP71/10. Covering Letter on Company Stationery	Letter / Fax
3.7.8	Within 2WD of 3.7.7	BSCCo verifies that the requesting ECVNA is successfully registered and has provided a completed undertaking regarding their systems used in the notification process. Where this is the case, BSCCo will reject the request using Form BSCP71/10 indicating the reasons for rejection.	BSCCo	ECVNA	Countersigned Form BSCP71/10 detailing reasons for Rejection	Letter / Fax
3.7.9	At the same time as 3.7.8	If BSCCo successfully verifies the requesting ECVNA, then BSCCo confirms the Privileged ECVNA status using Form BSCP71/10. BSCCo will log the Privileged ECVNAs status for future verification.	BSCCo	ECVNA	Countersigned Form BSCP71/10	Letter / Fax

New forms and associated paperwork will be required to be included in BSCP71 to support the request for Privileged status by the notification agent (including Authorised Signatory for claims made under the Privileged status, the undertaking regarding systems and processes and any other documentation required in support of submitting and processing claims).

**4.2.1.4 Amendments to Other Code Subsidiary Documents**

None identified at this time.

#### **4.2.1.5 Amendments to Core Industry Documentation**

None identified at this time.

#### **4.2.1.6 Amendments to ELEXON Procedures, Systems and Documentation**

ELEXON will be required to amend procedures to include the defined process.

ELEXON will also be required to amend the BSC website to include a new section to report on Privileged ECVNA status, documentation pertaining to the BSC website will also require amendment to reflect the additional functionality.

#### **4.2.1.7 Amendments to BSC Agent Procedures, Systems and Documentation**

None identified at this time. The amendments required to support the implementation and operation of these additional registration requirements and processing are limited to the requesting ECVNA and to ELEXON. It is not expected that there be any impact on any BSC Agent system, procedure or the associated documentation.

### **4.2.2 Privileged ECVNA Claims**

#### **4.2.2.1 Authorisation by Affected Parties**

The existing notification agent Authorisation process / definition be extended to implicitly cover the circumstances of the Privileged ECVNA being authorised to raise a claim.

#### **4.2.2.2 Claims**

Once the Privileged ECVNA status has been granted, the Privileged ECVNA is able to submit claims under the new, proposed provisions of the Code. It should be noted that, in legal terms, it is the parties who make the claim (i.e. who are submitting notifications after Gate Closure), albeit through their agent ECVNA, since the ECVNA is merely an agent of the parties. However, the Privileged ECVNA will be the raising party and will be responsible for processing the claim and paying the Administration Charge.

Privileged ECVNAs will be able to submit a claim where, for any reason, notifications received by that Privileged ECVNA prior to Gate Closure fail to be passed on to ECVA by the Privileged ECVNA in time for the associated Gate Closure.

Therefore, where such a claim is required to be made, the affected Privileged ECVNA can submit a claim. It is expected that evidence as to the cause of the Incident and, most importantly, sufficient evidence to enable ELEXON to authenticate, verify and potentially audit the time of receipt of notifications to ensure that they were received with the Privileged ECVNA prior to Gate Closure for the associated Settlement Period(s), and in time for the ECVNA to have submitted these to the ECVA by Gate Closure, will be provided if requested.

An individual claim is to be limited to 4 hours, therefore if the failure spans a period in excess of this it should be raised in as many claims as is appropriate, such that no claim exceeds an individual 4 hour period. It should be noted that one claim can encompass an unlimited number of individual notifications (provided that the appropriate proof of receipt is provided for all notifications).

A claim must be submitted to ELEXON by the beginning (09:00) of the second business day following the (affected) Settlement Day. [The affected Settlement Day is deemed to be the Settlement Day within which the **FIRST** Settlement Period of the claim falls].

For the avoidance of doubt, all claims raised under the provisions of the Privileged ECVNA will have amended data provided to the next Settlement Run.

#### **4.2.2.3 Submitting Claims**

The Privileged ECVNA will be the raising party for all claims Therefore the Privileged ECVNA will submit a proforma to the ELEXON Helpdesk containing the details of the claim, which should be followed up with a fax / postal submission. Any submission should clearly indicate that this claim is being made under the 'Privileged ECVNA' provisions.

The Privileged ECVNA will submit the correct notifications for input to the ECVA database using a standard proforma provided by ELEXON.

#### **4.2.2.4 Receipt of a Claim**

On receipt of a claim relating to an Incident, ELEXON will:

- Ensure that the Authorised Signature is correct;
- Ensure that the raising party is a Privileged ECVNA and has a current Privileged ECVNA status;
- Ensure that the raising party Privileged ECVNA has not reached  $\geq [12] + 1$  claims in the rolling [year] period. Where this is identified as being the  $\geq [12] + 1$  claim, then ELEXON will refuse the claim and will log the occurrence on the BSC website against the relevant Privileged ECVNA; and
- Ensure that all claim criteria are met, namely that the affected period does not exceed 4 hours.

The claim is then raised and progressed as a Problem Management Report (PMR) within ELEXON. On raising the PMR, ELEXON will:

- Place notification of the claim on the BSC website against the raising party Privileged ECVNA, indicating the total number of claims (including this one) raised in the [year] rolling period;
- If this is the [12] Incident in a [year] rolling period, then this will be logged on the BSC (ELEXON) website and it will be indicated on the BSC website that the Privileged ECVNA has reached the claim limit; and
- Log the standard (non-refundable) claim Administration Charge of [£5000] against the Privileged ECVNA, for recovery by ELEXON.

ELEXON will refer the claim to the Performance Assurance Board for them to determine whether a site visit is required and initiate such site visit. To support this activity, ELEXON will provide a collated listing of all the claims which have occurred since the last collation for the previous meeting, to each Performance Assurance Board (PAB) meeting for consideration, information and audit purposes.

It should be noted that a site visit for verification and audit of a claim will be automatically initiated for:

- The initial claim after granting of Privileged ECVNA status; and
- The first claim submitted subsequent to the rejection of a claim.

The verification / audit will encompass the criteria detailed in Section 4.2.1.1 of this Assessment Report.

Where the site visit is successful, or the option to have a site visit was not exercised, then ELEXON will process the claim. However, where any of these checks fail, ELEXON will reject the claim and return it to the raising party Privileged ECVNA.

It should be noted that where it appears that claims have been processed where the BSC requirements of the notification agent have not been met (for example, circumstances have changed between the initial site visit and any subsequent site visit that renders the claim invalid, and casts doubt on the verification of previous claims), then it is not intended that previously submitted and processed (accepted) claims be revisited (and therefore adjusted in settlement as if the claim had not been made).

It should also be noted that it is not intended that the Privileged status be withdrawn on any failure / rejection of a claim, only that the affected claim be rejected, and the next submitted claim be the subject of a site visit for verification and audit to determine authenticity/

The P35MG believed that any such adjustment would introduce an unacceptable level of uncertainty into the settlement process (via the consequential amendment to Residual Cashflow Reallocation Cashflow). The P35MG believed that an undertaking on the application for Privileged status (in a similar manner to that in place for the accreditation process) to maintain their systems according to the undertaking, coupled with the prospect of verification and audit visits initiated by the PAB, would offer a level of assurance sufficient that the notification agent would not be, as far as is reasonably possible, likely to abuse the process and make false claims.

#### **4.2.2.5 Amendments to the Balancing and Settlement Code**

**Section P 'Energy Contract Volumes and Metered Volume Reallocations'** may require amendment to add in a definition of a Privileged ECVNA claim and to define the criteria detailed above pertaining to the claim.

The limitation on the number of claims [12] allowed within a defined rolling period of [1 year], should also be included in this Section of the Code. The number of claims allowed and the time period within which they are allowed to occur before referral, are to be defined by the Performance Assurance Board, with agreement from the Panel and subsequently notified to all Parties.

**Section X ANNEX X-2** requires the addition of a new definition of **'Claim'** and any other definitions required to support this aspect of the Modification Proposal.

#### **4.2.2.6 Amendments to BSC Procedures**

A new process may be required (and this may require a new BSCP) to detail the process for submitting and resolving claims, and to detail the criteria for accepting / rejecting such claims.

#### **4.2.2.7 Amendments to Other Code Subsidiary Documents**

None identified at this time.

#### **4.2.2.8 Amendments to Core Industry Documentation**

None identified at this time.

#### **4.2.2.9 Amendments to ELEXON Procedures, Systems and Documentation**

ELEXON will be required to amend procedures to include the process defined.

ELEXON will also be required to amend the BSC website to include a new section to report on Privileged ECVNA status, and the number of claims against each privileged ECVNA. Documentation pertaining to the BSC website will also require amendment to reflect the additional functionality.

#### **4.2.2.10 Amendments to BSC Agent Procedures, Systems and Documentation**

None identified at this time. The amendments required to support the implementation and operation of these additional registration requirements and processing are limited to the requesting ECVNA and to ELEXON. It is not expected that there be any impact on any BSC Agent system, procedure or the associated documentation **if the existing manual recovery procedure utilised by the ECVAA is continued to be used for the restoration of data.**

However, it should be noted that this is dependent upon the quantity and materiality of claims submitted:

- If the associated level of manual amendment and input is relatively small, then it may be sufficient to retain the existing manual processes.
- However, if the quantity and materiality of such claims is significant, then an automated data recovery process, as proposed by the BSC Central Service Provider as a long term solution for Modification P1 'Extension of the Definition of ECVAA Systems Failure for permitting Post Gate Closure Notification' may be essential to avoid errors introduced by large volumes of manual data entry, or to avoid over use of resource intensive manual procedures.

However, it is expected that if this Modification were to be implemented, that the manual recovery route would be taken, with a view to monitoring the number and materiality of such claims to determine whether there is a requirement to move towards an automated solution at a later date. This is similar to the decision reached for Modification Proposal P44 (Reference 5) and Modification P1 (Reference 6).

It should be recognised that there is the potential for incurring significant development and implementation costs in the application of an automated process to support this process within the ECVAA BSC Agent.

#### **4.2.3 Amendments to the BSC Website**

A new area on the BSC Website will be required solely for the purpose of reporting on Privileged ECVNAs. The following data is required to be reported for each privileged ECVNA:

- Name, address and Participation Capacity: Privileged ECVNA;
- Effective From Date of the Privileged ECVNA status:
  - Incident History – log of the date of each claim;
  - Incident History – Number of claims in the (rolling) period [y]
  - Incident History – Rejected claims, date and reason for rejection

The website should have the capacity to be updated immediately on any change to the above information (on an ongoing operational basis – i.e. on business days only).

An amendment to the Code may be required to reflect the obligation on ELEXON to publish this information, and timescales for such publication provided.

#### **4.2.4 Other Changes Required**

None identified at this time.

### **4.3 Rationale for Modification Proposal P35 Requirements**

The following details the rationale behind the requirements documented in Section 4.2 of this Assessment Report and is intended to detail the P35 Modification Group's deliberations in determining the final set of requirements in support of this Modification Proposal. It should be noted that this section is a repetition of some of the rationale and deliberations documented in Section 5 of this Assessment Report. However, Section 5 provides the rationale and deliberations in the context of defining all of the possible options for the functionality / requirements supporting Modification Proposal P35. Therefore this section details those pertinent to the final set of requirements only, for clarity.

#### **4.3.1 Process for Requesting and Receiving Privileged ECVNA Status**

The P35 Modification Group (P35MG) looked at the most appropriate mechanism for ensuring that all notification agents could utilise the process defined by Modification Proposal P35 whilst limiting opportunity for potential abuse / manipulation. The P35MG determined that the key would be the proof of the receipt, by the Privileged ECVNA, of the notification / trade, as agreed by the counterparties, in time for provision onwards to the ECVA, i.e. notification agents' systems would be required to meet certain standards of independence and auditability, and provide, as far as is deemed necessary by ELEXON, incontrovertible proof of receipt of agreed trades and the time of receipt.

The P35MG then reviewed the possibilities for enforcing these requirements. Three options were proposed:

1. A site visit by ELEXON (or delegated party) on the initial application for privileged status, to ensure that the notification systems of the applicant Privileged ECVNA comply with the BSC independence and auditability requirements, which has to be passed before the Privileged status would be granted; or

2. A site visit by ELEXON (or delegated party) on receipt of any initial claim made by the Privileged ECVNA, to ensure that the notification systems of the applicant Privileged ECVNA comply with the BSC independence and auditability requirements, which has to be passed before the claim is accepted; and
3. A site visit by ELEXON (or delegated party) on receipt of any claim made by the Privileged ECVNA, to ensure that the notification systems of the applicant Privileged ECVNA comply with the BSC independence and auditability requirements, which has to be passed before the claim is accepted.

The P35MG discussed option 1 and agreed that this was not the preferred approach, on the basis that this 'front loads' the process. The P35MG argued that it might be a significant amount of time between the application for Privileged status and the submission of any claim, therefore it seemed more appropriate to require that the application for Privileged ECVNA status include the detail of the requirements the notification systems need to meet, and a signed undertaking from the Applicant Privileged ECVNA that their systems meet such requirements, and that any site visit to verify the undertaking be performed on receipt of the initial claim by the Privileged ECVNA.

Therefore the P35MG agreed that a signed undertaking (as described above) on the application for Privileged status, plus combination of option 2 and 3 would provide the least onerous, and most effective approach for ensuring the authenticity of claims, as ELEXON would receive the confirmation from the site visit that the systems were in accordance with ELEXON requirements, and could therefore form a judgement on the authenticity of future claims based upon the submissions received, and where the Performance Assurance Board doubt such authenticity, it is within their power to initiate a site visit to investigate. Consequently the potential for any claim to be investigated should ensure that the Privileged ECVNA does not abuse the process.

#### **4.3.2 Submitting Privileged ECVNA Claims**

It was proposed by the P35 Modification Group that where the ECVNA was not a BSC Party, that the affected parties should be responsible for submitting the claim. However, the P35MG noted that under certain circumstances it would be possible for at least one of the affected counterparties to have been 'accidentally' advantaged by the ECVNA's failure to notify and therefore not to be 'minded' to raise the claim. The other consideration in respect to the claim being the responsibility of the party to raise, is that the counterparties affected by the ECVNA failure may have recourse to compensation from the ECVNA for the ECVNA's failure, and would therefore not wish to bother with the additional requirements of raising and then supporting any claim.

Therefore the P35MG determined that it was not appropriate to place the responsibility for the submission of the claim onto the affected parties and agreed that the most appropriate way forward would be for all ECVNAs to submit these claims themselves, even where they are not currently a BSC Party.

#### **4.3.3 Time Constraints on Scope of Claims**

The P35 Modification Group determined that an individual claim is to be limited to 4 hours, therefore if the failure spans a period in excess of this, even if it is related to one incident, it should be raised in as many claims as is appropriate, such that no claim exceeds an individual

4 hour period. It should be noted that one claim can encompass an unlimited number of individual notifications (provided that the appropriate proof of receipt is provided for all notifications). The rationale behind this is that a notification agent system failure for a self-notifier may only affect one or two notifications, whereas a similar failure for an exchange will affect as many parties as have chosen to notify in that period, potentially a large amount, therefore, in recognition of this aspect, the P35MG chose to limit the claim time period but leave the notification numbers unconstrained.

The P35MG, in setting the time constraint, took into consideration the potential downtime of a system resulting from a failure, and believed that 4 hours was sufficient time for any failure to be identified and corrected, or identified and switched to support systems /processes (i.e. where the failure is material, it is expected that the majority of ECVNAs have supporting notification systems / mechanisms).

#### **4.3.4 Timescales for Submitting Claims**

The P35MG reviewed the potential for placing time constraints on the submission of claims. The basis of this was deemed to be that any notification agent should be aware, relatively quickly, of any failure and should therefore be able to determine what restoration is required. However, there is the potential for any failure to affect the ability of the ECVNA to identify 'omitted' / incorrect notifications and therefore parties / the ECVNA will be expected to utilise the ECVA-1014 (end of day notification summary from the ECVA) and ECVA-1022 (Forward Contract Report - although it is recognised that within day trades may not be present in this summary), as well as any future interfaces from ECVA in the area of notification verification (such as the individual notification rejection flows (and potentially the proposed notification acceptance flows<sup>1</sup>)).

The P35MG reviewed the following options for submission constraints:

1. By the end (17:00) of the business day following the Settlement Day;
2. By the end (17:00) of the fifth business day following the Settlement Day;
3. In time for the Initial Settlement Run (i.e. by three business days prior to the scheduled date of the run); and
4. Any time after the Initial Settlement Run.

The P35MG believed that any claim should be restricted to the period immediately following the settlement day, given that the information should be available to verify what should have been submitted at the end of the affected Settlement Day. However, the P3MG agreed that, in any event, the claim should be submitted to ELEXON in time for submission to the Initial Settlement (SF) Run.

The P35MG believed that it was not appropriate to allow such claims to be made after the Initial Settlement Run, as such claims affect other parties cashflows (via the Residual Cashflow Reallocation Cashflow). Therefore the P35MG supported restricting claims to the period prior to the Initial Settlement Run to avoid changing cashflows in later settlement runs.

Other reasons in support of constraining submission of claims to the period prior to the Initial Settlement Run are that amendment of settlement data after the Initial Settlement (SF) Run

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<sup>1</sup> Proposed for implementation under the enhanced reporting Alternative Modification to Modification Proposal P4 'Dual Notification'.

would require special, explicit, provisions in the BSC to enable the amendment of data under the circumstances detailed in Modification Proposal P35, which would require very good justification (which is lacking). This, in conjunction with the inappropriateness of these claims being dealt with as Trading Queries / Trading Disputes, or Manifest Errors<sup>2</sup>, leads to the constraint agreed by the P35MG.

The P35 Modification Group also noted the Authority determination on Modification Proposal P19 (Reference 5) which provides some 'guidance' in the area of timescales for submission of ex post notifications, in that it states:

"25 (iii) a short claim period. Ofgem considers that a claim period of less than two business days would be appropriate;"

Modification Proposal P19 is loosely similar to Modification Proposal P35 in that Modification Proposal P19 deals with the circumstances of making ex post notification corrections, and therefore has some relevance in terms of considerations of the process to be proposed for Modification Proposal P35. The P35MG agreed that it would be pertinent to consider the rationale and suggestions made by the Authority in their determination when considering Modification Proposal P35 (Section 1.5 of this Assessment Report provides more detail in this area).

The P35 Modification Group agreed that option 1 would be the preferred option, given the supporting rationale.

#### **4.3.4.1 Authorisation by Affected Parties**

As any claim made by a Privileged ECVNA will necessarily affect the imbalance position for the counterparties to the affected notifications, an authorisation for the Privileged ECVNA to submit claims, and thereby rectify notifications, is required.

It should be noted that the intent of this Modification is to ensure that what was notified to the ECVNA is what will be provided to the ECVA. Therefore, the Privileged ECVNA should be operating under the existing commercial (contractual) framework when submitting claims, as they are notifying what was provided to them by the parties.

Therefore on this basis, the P35MG considered three ways forward:

1. That the existing notification agent Authorisation process be considered to implicitly cover the circumstances of the claim;
2. That the existing notification agent Authorisation process, although implicitly covering the circumstances of the claims, be amended to explicitly state that it covers claims made; and
3. That the existing processes are retained, and that any submission of a claim is accompanied by confirmation of agreement to the claim by the affected parties, as detailed below.

The P35MG agreed that either option 1 or 2 would be the lowest impact, and most appropriate option, as it avoids unnecessary burden on the part of the affected parties at the time of any claim. However, the P35MG agreed that any process was a trade off between

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<sup>2</sup> Trading Queries and Disputes relate to errors in Settlement. Since the premise of the trading arrangements is that contract notifications received by the BSC Central Service Agent are correct, errors in these notifications cannot be considered to be errors in settlement under the provisions of the Code. Similar is true for Manifest errors, as it is not manifest that an error has been made in a notification. Therefore this precludes these claims from being treated in the manner provided for in the BSC for Trading Queries / Disputes and Manifest Errors.

needing to avoid unscrupulous ECVNAs amending settlement data to suit and surmounting the circumstance where a party has been 'accidentally' advantaged by the ECVNAs failure and is unwilling to have their imbalance position amended.

#### **4.3.5 Definition of [x] and [y]**

The P35MG considered the most appropriate values for [x] claims in [y] rolling period in terms of system reliability. The P35MG considered that there are 17520 Settlement Periods in a year, and if this Modification were to allow 96 of them for system failure, this would equate to a 99.5% system reliability requirement. The P35MG considered this to be around what should be expected from a robust system and considered this to be appropriate for incentivising good system performance.

Therefore the P35MG agreed that:

- **[x] should be 12; and**
- **[y] should be a rolling year.**

#### **4.3.6 Administration Charge**

The P35MG agreed that it would be appropriate to charge an administration fee for each claim, with the fee aimed at:

- Covering the development and implementation costs of Modification Proposal P35;
- Covering the administration costs of ELEXON (including the cost of amending the data in the BSC Central Service Agent (ECVAA) and the costs of any site visit for verification / audit purposes), i.e. targeting the costs correctly; and
- Incentivising data accuracy within the Privileged ECVNA (i.e. a small fee may not create the incentive to maintain good data accuracy, if the ECVNA knows there is only a nominal fee for amending their errors).

The P35MG could not determine what the most appropriate fee would be, but agreed that it should be a single charge representative of the average administration costs incurred by ELEXON, say [£5000] (as determined from the potential costs of processing each claim, derived from the ELEXON and BSC Central Service Agent impact assessment for this Modification, provided in Sections 10 and 8 (respectively) of this Assessment Report). This ensures simplicity in the charging, but also ensures that the costs are recovered in full. Therefore the P35MG believed that it may be appropriate to place a provision in the Code that allows the Panel, in consultation with ELEXON, to determine the charge, based upon administration costs<sup>3</sup>, from time to time, in agreement with the Authority, and to notify such charge to parties as and when it changes. However, this approach is under review.

The P35MG noted that the initial charge level of £5000 took into consideration recovery of the following:

- The initial implementation and development costs of the Modification Proposal;
- The indicative costs of administering and processing a claim (for both ELEXON and the BSC Central Service Agent), which could be over (or under) stated without the relevant operational experience of the number and size of claims, and the amount of work involved;

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<sup>3</sup> This is similar in concept to the charge for registration within ELEXON (Section A) of the Code.

- The costs of the initial start up with regards to requests for Privileged Status – namely that in the period following any implementation of the Modification Proposal, it is likely that a relatively large number of existing notification agents will wish to apply for Privileged status, requiring more work than would be required once requests are limited to new entrant ECVNAs; and
- The costs of the initial start up with regards to processing initial claims for Privileged notification agents – namely that in the period following any implementation of the Modification Proposal, it is possible that Privileged notification agents will submit their initial claim, each of which will require a site visit. Therefore it is probable that there will be an increased number of site visits required initially, with the number falling over time.

Therefore the P35 Modification Group recommend that the Administration Charge be reviewed by the Panel after a suitable period of operational experience of the Modification, say six months from any implementation date of Modification Proposal P35.

## **5 REQUIREMENTS SPECIFICATION FOR MODIFICATION PROPOSAL P35 – ‘QUALIFIED ECVNAS’**

This document provides the definition of the full range of options with regards to changes required to support the implementation of the solution to Modification Proposal P35 (Reference 1), as defined within that Modification Proposal, and further clarified by the interim report to the Panel (Paper 31/012), the Definition Report in respect to this Modification Proposal (Reference 3) and by the Contract Notification Modification Group (CNMG) at their meeting of the 15 October 2001 and by the P35 Modification Group (a combination of the CNMG and Error Processing Modification Group (EPMG)) at their meetings of 26 November 2001, 5 December 2001 and 19 December 2001. As such, the Requirements Specification for Modification Proposal P35 (Reference 4) represents a working document for the P35 Modification Group which is superseded by the proposed Modification defined in Section 4 of this Assessment Report.

The Requirements Specification is available on the BSC Website.

## **6 ASSESSMENT OF THE MODIFICATION AGAINST THE APPLICABLE BSC OBJECTIVES**

The P35 Modification Group (P35MG) assessed Modification Proposal P35 against the Applicable BSC Objectives, set out in paragraph 3 of Condition C3 of the Transmission Licence, as follows:

- (a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence;
- (b) The efficient, economic and co-ordinated operation by the Transmission Company of the 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.

The P35MG agreed that Modification Proposal P35 may better facilitate the Applicable BSC Objectives, 3(c) and 3(d) (defined above).

### **6.1.1 BSC Objective 3(c) Promoting Competition**

'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;'

The P35MG agreed that a consequence of the implementation of a cost reflective Administration Charge (aimed at covering the costs of administering and processing any claim, and also at recovering the development and implementation costs of Modification Proposal P35 (Section 4.3 of this Assessment Report)) is that the cost of the Modification is borne in entirety by those notification agents utilising the process defined by it. Therefore the benefits of Modification Proposal P35 should be considered in light of this cost implication.

The P35MG agreed that potentially the implementation of Modification Proposal P35 could increase competition amongst parties by increasing confidence in within day trading by increasing confidence in the utilisation of notification agents who are effectively guaranteed to get any agreed / notified trade into the ECVAA (via data recovery process defined by Modification Proposal P35, where the ECVNA fails). A number of the Definition procedure consultation responses indicate that they believe that any reduction of notification risk is beneficial to the industry.

The P35MG noted that there are risks that investment in systems / processes will not resolve (for example, systems failure, as even the most robust and expensive system will suffer a failure at some point) and therefore the P35MG believe that the implementation of Modification Proposal P35 will reduce such risk to a reasonable level, whilst also enabling systems and processes to be developed to a high standard, but without excessive cost. The P35MG also noted that the claim 'allowance' for a Privileged notification agent was equivalent to a 99.5% system reliability, which is a similar level to that expected for high quality and robust systems.

The Proposer of Modification Proposal P35 believes that the implementation of the Modification may provide service providers (notification agents) with increased incentive to develop and market services (such as dual notification) as a consequence of the increased

confidence in the notification process. This increase in services offered may have the result of increasing competition by increasing trading, and may also have the result of improving liquidity in the market which increases competition.

A number of the Definition procedure consultation responses indicate that they would expect to see a reduction in notification charges as a consequence of the implementation of this Modification. However, the P35MG discussed this possibility and determined that any decrease in ECVNA costs of risk management would be difficult to quantify but that trading costs were likely to decrease over time, in light of operational experience.

The P35MG also noted that implementation of Modification Proposal P35 may increase trading from the perspective of increasing the amount of time that parties would be able to trade to Gate Closure. Currently the exchanges close their gates half an hour prior to Gate Closure to ensure that all notifications can be made into ECVA and that errors / failures, as far as reasonable, can be identified and rectified (and where they are not, the ECVNA has liability).

Were this Modification to be implemented, it could be argued that potentially the exchange gate could be reduced to come closer to real time Gate Closure as a consequence of the data recovery process available to notification agents in the event of any failure. This may exacerbate any effect of increased trading confidence and market liquidity (as covered in the previous points under this objective), in increasing competition in the generation and supply of electricity.

It is also the opinion of the proposer of Modification Proposal P35 that many parties currently did not trade at all within day and that implementation of this Modification would encourage that situation to change, by the reduction in notification risk, in that a party could consider a notification to their ECVNA to be as 'firm' as a notification into the ECVA.

With regards to actually quantifying these assertions, the P35MG noted that it was extremely difficult to assess any improvement in trading without the actual implementation of the Modification. Therefore the P35MG agreed that the 'P35 Assessment Consultation' should ask specific questions regarding the Modification in terms of better facilitating the Applicable BSC Objectives and in terms of attempting to assess any liquidity gains, increase in within day trading and any development of services which may have the effect of increasing liquidity and trading. The questions were as follows:

**Q7(a)** The Modification Proposal indicates that there may be liquidity gains associated with the implementation of this Modification Proposal.

As a counterparty to a trade / notification, how much closer to Gate Closure would you expect to trade / notify as a consequence of the implementation of this Modification Proposal?

As a notifier of a trade / notification, how much closer to Gate Closure would you expect to notify as a consequence of the implementation of this Modification Proposal?

**Q7(b)** In your opinion, would the implementation of this Modification Proposal provide a mechanism for service providers (notification agents) to offer services which enable trading closer to Gate Closure? If so, are you likely to use these services or see an affect from them?

**Q7(c)** Would the implementation of this Modification Proposal increase your incentive to trade within day and why?

**Q8** Do you believe that this Modification Proposal, as set out in the Requirements Specification, better facilitates the Applicable BSC Objectives?

A number of the consultation responses (provided in summary in Section 13 and in full in ANNEX 2 of this Assessment Report) generally indicate that they believe that Modification proposal P35 could increase liquidity and indicated that would certainly trade closer to Gate Closure if mechanisms were in place to enable such trading.

One exchange responded to Q7(a) by indicating that they may extend trading by ten to fifteen minutes closer to Gate Closure were this Modification Proposal to be implemented. The proposer of the Modification indicated that this was likely to be true for their exchange.

It has been suggested that any Modification that allows ex post notification submission undermines the incentive to make accurate ex ante notifications, introduces uncertainty into the settlements process and also, where the process is abused, advantages the abusing parties thus undermining the trading arrangements.

In response to these points (and these are explored in more detail in Section 1.5 of this Assessment Report) the P35MG believe that the process defined for Modification Proposal P35 is:

- Sufficiently robust that the existing incentives to make ex ante notifications is retained, via a small claims limit and robust verification and audit requirements;
- Attempts to remove uncertainty introduced by making ex post notifications by limiting claim number and duration, and by implementation of a tight submission deadline for claims (within 2 WD), in order that claims are submitted and processed by the Initial Settlement run in all but extreme cases; and
- Limits the opportunity for abuse via application of site visits, at the discretion of the Performance Assurance Board, to determine the authenticity of claims.

### **6.1.2 BSC Objective 3(d) Promoting Efficiency in the Balancing and Settlement Administration**

The P35MG discussed Modification Proposal P35 in terms of whether it better facilitated the promotion of efficiency in the implementation and administration of the balancing and settlement arrangements. The Proposer of Modification Proposal P35 indicated that the implementation of this Modification may promote efficiency in the BSC Agent systems (specifically ECVAA), from the perspective that the development of services by notification agents in response to the implementation of this Modification may lead to a decrease in interfaces into the ECVAA (for example, the notification agent may, as a consequence of the increased confidence in notifying, only notify once close to Gate Closure, rather than sending two or three overwrite notifications, or, prior to submission into ECVAA, the notification agent may perform a level of aggregation on the received notifications).

However, alternately, the increased processing required to support the implementation of Modification Proposal P35 within ELEXON (in administration of the claims) and within the ECVAA BSC Agent (in entering the recovered data) could be seen to generally decrease the efficiency of the implementation and administration of the balancing and settlement arrangements. However, this is mitigated, almost in entirety, by the cost reflective nature of the Administration Charge, as it is the intent of the Modification Proposal that the reduction in the efficiency of the balancing and settlement arrangements is negated by the recovery of

costs associated with that reduction (section 4.3 of this Assessment Report discusses the Administration Charge in more detail).

All but one of the assessment consultation responses indicated support of the assertion that this Modification Proposal would better facilitate the Applicable BSC Objectives.

## 7 IMPACT ON BSC AND BSCCO DOCUMENTATION

### 7.1 BSC

The proposed legal drafting is provided in ANNEX 1 of this Assessment Report. However, in summary, the following sections of the Balancing and Settlement Code require amendment to support the implementation of Modification Proposal P35 (although it should be noted that there may be wider impact than the sections noted here, so the legal drafting provided in ANNEX 1 of this Assessment Report provides the definitive statement of the impact on the BSC):

- **Section D 'BSC Cost Recovery and Participation Charges'** requires amendment to reflect the determination and the application / recovery of the Administration Charge associated with the processing of a claim under this Modification;
- **Section J 'Party Agents'** requires amendment to reflect the request and receipt of Privileged Status for notification agents, and potentially to reflect the notification agent system verification and audit requirements;
- **Section P 'Energy Contract Volumes and Metered Volume Reallocation'** requires amendment to reflect the process surrounding submitting and processing claims, including the limitation on the number of claims and any review and setting of the numbers; and
- **Section X 'Definitions and Interpretation'** may require amendment to **ANNEX X-1 'General Glossary'** and **ANNEX X-2 'Technical Glossary'** to reflect any new / amended definitions required to support the Modification.

### 7.2 Code Subsidiary Documents

In summary, the following Code Subsidiary Documents require amendment to support the implementation of Modification Proposal P35:

- Amendments to **BSC Procedure 71 'ECVNA and MVRNA Registration, Authorisation and Termination'** to reflect the additional steps and associated forms required in the notification agent registration process for the request and receipt of Privileged Status; and
- Implementation of a **new BSC Procedure** containing the definition and forms / proforma associated with the submission and processing of claims by the Privileged ECVNA.

### 7.3 BSCCo Memorandum and Articles of Association

None identified at this time.

## 8 IMPACT ON BSC SYSTEMS

Pending receipt of the Impact Assessment from the BSC Central Service Agent (due 14 January 2002). However, in the interim, the Impact Assessment provided by the BSC Central Service Agent in response to Modification Proposal P44 'Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test' (which should be extremely similar in that it uses the same data recovery process in the central services agent (different front end (ELEXON) process, which is invisible to the BSC Central Service Agent)) is utilised to provide an indication of the impact on the BSC Systems.

It should be noted that, as a consequence of this commonality of approach in the BSC Central Services, it may be possible to spread the development and implementation costs of Modification Proposal P35 with those of Modification Proposal P44. This is discussed in more detail in Section 1.4 of this Assessment Report.

The Detailed Level Impact Assessment utilised is the Impact Assessment dated 13/12/2001 provided by the BSC Central Service Agent (and it should be noted that this impact assessment does not include the Error Correction Payment part of Modification Proposal P44, which makes the Detailed Level Impact Assessment more appropriate for use as Modification Proposal P35).

The full impact assessment is provided in ANNEX 3 of this Assessment Report.

### 8.1 Registration

No impact identified at this time.

### 8.2 Contract Notification

A Privileged ECVNA would, on behalf of the affected counterparties, be able to submit ex post notifications to correct failures / errors in the submitted (or not, as the case may be) notifications.

Therefore there is an impact on the Energy Contract Volume Aggregation Agent (ECVAA) in operating a procedure for input and verification of the data required to be manually amended within the ECVAA system. The Impact Assessment indicates the following:

- A development and implementation costs of **£16,800** to update the ECVAA system documentation and implement measures to increase the level of auditability and transparency, including definition of working practices and enhanced operator training and the development of any reporting that may be required in support of the processing of the claim;
- A development and implementation timescale of **4 weeks**;
- An **estimated** operational cost of **£960 per claim** to update ECVAA, dependent upon the size of the claim and the number of requests.

It should be noted that the P35MG believe that the quoted £960 per claim is sufficient to cover the costs of all but the largest of claims under Modification Proposal P35.

### 8.3 Credit Checking Systems

Although the processes and system functionality for Credit Checking are not directly affected, it should be noted that, where a claim is implemented, the credit checking systems (i.e. the calculation of the Energy Indebtedness for a party) will not be updated with any amended contract volumes and therefore the notification adjustments consequential from any claim will not be taken into account into Energy Indebtedness calculations.

#### **8.4 Balancing Mechanism Activities**

No impact identified at this time.

#### **8.5 Collection and Aggregation of Metered Data**

No impact identified at this time.

#### **8.6 Supplier Volume Allocation**

No impact identified at this time.

#### **8.7 Settlement**

Although the settlement processes are not directly affected, it should be noted that adjustments to notifications made after the Initial Settlement (SF) Run will result in amendments to imbalance settlement cashflows for parties - either directly for the affected counterparties, or indirectly, via the Residual Cashflow Reallocation Cashflows, for all other parties as a consequence of the amendment to energy imbalance cashflows from making the adjustment.

#### **8.8 Clearing, Invoicing and Payment**

No impact identified at this time.

#### **8.9 Reporting**

No impact identified at this time.

## **9 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS**

### **9.1 Grid Code**

No impact identified at this time.

### **9.2 Connection Use of System Code (CUSC)**

No impact identified at this time.

### **9.3 Supplemental Agreements**

No impact identified at this time.

### **9.4 Ancillary Services Agreements (ASAs)**

No impact identified at this time.

### **9.5 Master Registration Agreement (MRA)**

No impact identified at this time.

### **9.6 Data Transfer Services Agreement (DTSA)**

No impact identified at this time.

### **9.7 British Grid Systems Agreement (BGSA)**

No impact identified at this time.

### **9.8 Use of Interconnector Agreement**

No impact identified at this time.

### **9.9 Pooling and Settlement Agreement (PSA)**

No impact identified at this time.

### **9.10 Settlement Agreement for Scotland (SAS)**

No impact identified at this time.

### **9.11 Distribution Codes**

No impact identified at this time.

### **9.12 Distribution Use of System Agreements (DUoSAs)**

No impact identified at this time.

### **9.13 Distribution Connection Agreements**

No impact identified at this time.

## 10 IMPACT ON ELEXON

### 10.1 Development and Implementation

#### 10.1.1 Design Authority

The development and implementation of the amendments to documentation required to support the implementation of this Modification will necessitate the following:

Document	Time
Sections D, J, P, W, X	10.0
ECVAA Service Description	1.0
New Local Working Instructions for operating the Modification	15.0
BSCP71 - amendments	2.0
New BSCP	10.0
All other documentation (Reporting Catalogue, etc.)	2.0
Total man days	40.0
Total Cost (based on £500 / man day standard project cost)	<b><u>£20,000</u></b>

#### 10.1.2 ELEXON (BSC) Website

##### 1. The Requirement

This Impact Assessment has been prepared in response to the request that a new area on the BSC website is required in order to deliver Modification Proposal P35: Qualified ECVNAs.

The following data is to be recorded on the BSC website in respect of each privileged ECVNA:

- Name, Address and Participation Capacity: Privileged ECVNA
- Effective From Date of the Privileged ECVNA status:
- Incident History – log of the date of each claim
- Incident History – number of claims in the (rolling) period (y)
- Incident History – rejected claims, date and reason for rejection

##### 2. Assessment

In consideration of Modification Proposal P35, it is suggested that a new area of the BSC website is developed which will host the above mentioned information and be able to support the requirements proposed by Modification Proposal P44: Correction of Notification Errors where Parties are able to satisfy Reasonable and Prudent Operator Test.

In developing an area on the website for P35, it is recommended that this area is database driven and automatically updated by nominated editors, or by the IT Web Team under the instruction of the Corporate Communications Team.

<b>Task</b>	<b>Elapsed Time</b>	<b>Cost</b>
Analysis of Requirement	1 day	
Graphic Design of Section	2 weeks	£1,600
Design of Functionality	8 weeks	£9,600
Review + Amendments	1 week	
Testing	1 week	
Installation	2 days	
<b>TOTAL</b>	<b>11 weeks<sup>1</sup></b>	<b>£11,200</b>

### 3. Summary

To deliver the requirement outlined above, a new area of the BSC website, database driven, and capable of rapid updates, the lead time for developing, testing and implementing the solution would be **11 weeks** and cost the order of **£11,200**.

#### In summary:

ELEXON development and Implementation costs of: **£31,200**

ELEXON development and implementation timescales of: **Eleven weeks**

## 10.2 Operational Costs

It is envisaged that ELEXON will incur the following costs for the administration and processing of each claim:

ELEXON processing and supporting costs **per claim** (including site visit)  
**£4200**

ELEXON processing and supporting costs **per claim** (excluding site visit)  
**£2700**

These costs do not include the ELEXON payment to the ECVAAs for making the amendment in ECVAAs (it should be noted that this has been estimated as being in the region of £960 per claim by the BSC Central Service Agent). For the purposes of this assessment, it has been assumed that ELEXON resources undertake the site visit for the purposes of the verification and audit of any claim.

It should be noted that all these costs are indicative (and exclusive of VAT).

The following ELEXON departments may be involved in supporting the administration and processing of each claim:

- Performance Management;
- Trading Development;
- Finance;
- The Communications department.

## **11 IMPACT ON PARTIES AND PARTY AGENTS**

### **11.1 Parties**

As the process defined for the implementation of Modification Proposal P35 is manual almost in entirety, it is envisaged that impact on parties would be minimal, and constrained to parties either using, or seeking to use a Privileged ECVNA. It is expected that the impact would be limited to:

- Potential negotiation / redrafting of commercial contracts with a Privileged notification agent to reflect any authorisation required for the notification agent to submit claims affecting that Party, and also to reflect the process defined in Modification Proposal P35 as an additional mechanism for recovery of energy imbalance cashflows incurred as a direct consequence of the notification agent's failure / error;
- Amendments to the GTMA (Grid Trade Master Agreement) to reflect the Privileged status of some notification agents and the associated processing; and
- Potential adjustments to settlement cashflows as a consequence of the application of a resolution to a claim in settlements (directly as an affected counterparty, via energy imbalance cashflows, and indirectly as any party affected by changes to the Residual Cashflow Reallocation Cashflow consequential from the adjustment to settlement following any claim). It should be noted that the proposed Modification seeks to mitigate the potential for adjustments to occur after the Initial Settlement Run, therefore amendments to cashflows post Initial Settlement are envisaged to be rare events.

### **11.2 Party Agents**

As the process defined for the implementation of Modification Proposal P35 is manual almost in entirety, it is envisaged that impact on Party Agents would be relatively minimal, and the impact is limited to those notification agents wishing to become Privileged. It is expected that the impact would extend to:

- Putting (manual) processes in place for the request and receipt of Privileged status;
- Developing processes, and potentially system functionality, for complying with the ELEXON requirements of the notification agent systems, with regards to the verification and audit requirements;
- Developing processes for submitting and processing claims made under this Modification Proposal; and
- Potential negotiation / redrafting of commercial contracts with counterparties to reflect the authorisation required for the notification agent to submit claims affecting that Party, and also to reflect the process defined in Modification Proposal P35 as an additional mechanism for recovery of energy imbalance cashflows incurred as a direct consequence of the notification agent's failure / error.

## 12 LEGAL ISSUES

The P35 Modification Group (the group) considered that, given the similarities with the accreditation process and potential similar legal issues, it would be appropriate for the process for Privileged ECVNA status to be under the aegis of the Performance Assurance Board (PAB).

Accordingly the group considered that the same rules as to Accredited persons' responsibilities (in the BSC, Section J 3.8) should apply to the Privileged ECVNA, and that an applicant for privileged status should submit a letter agreement comparable to that required under the BSC, Section J 3.8.1, and giving equivalent representations, warranties and undertakings to those in the BSC Section J 3.8.2. The group noted that there are not specific provisions as to the extent of liability of the applicant, and that the principle purpose of the letter (and representations, warranties and undertakings) is to provide assurance that the Privileged ECVNA will in fact comply with the PAB's requirements, rather than to provide a remedy which would fully compensate if he did not.

The group considered that the submission of 'claims' by a Privileged ECVNA amounts to no more than the later submission of ECVNs which the ECVNA is already authorised (for BSC purposes) to submit; and this should be treated for BSC purposes as within the scope of the general authorisation of the ECVNA, rather than requiring or permitting any separate special authorisation process (or right of Parties' to approve a claim).

The group noted there may be cases in which the ECVNA is itself one of the Contracting Parties (or indeed the only such Party), or in which the ECVNA is instructed to act on some standing instructions or a 'default rule'. The Group considered that in such cases the requirement should be for an 'internal' nomination (from a part of the ECVNA organisation or systems) to a system of the ECVNA which meets the verification and tamper-proof requirements. However, it should be noted that there is some inherent difficulty in defining precisely what should count as a nomination to the Privileged ECVNA's relevant system. It would be for the notification agent to ensure that a clear mechanism exists prior to / on application for Privileged status and for such mechanism to be clearly demonstrable on any audit / verification.

## 13 SUMMARY OF REPRESENTATIONS

### 13.1 DEFINITION

The Responses to the consultation undertaken as part of the Definition phase of the Modification are summarised (and provided in full) in the Definition Report (Reference 3) for Modification Proposal P35.

The P35MG took into consideration the responses made, and believe that they have addressed all of the points raised by these responses.

### 13.2 ASSESSMENT: Summary of Representations

The P35MG note that the consultation responses are broadly supportive of the proposed Modification and the approach agreed by the Modification Group. The P35MG also noted that the arguments raised by the consultation responses have been discussed by the P35MG during assessment of this Modification, and therefore the P35MG do not believe that these responses provide any new or substantive arguments.

The following represents a high level summary of the responses to the Modification Proposal P35 Assessment Consultation Questionnaire (Reference 7). The full responses are provided in ANNEX 2 of this Assessment Report.

#### In summary:

Nine responses, on behalf of twenty-nine parties were received in response to the consultation. Of these:

- Eight responses, on behalf of twenty-five parties, support the Modification and believe that it better facilitates the Applicable BSC Objectives; and
- One response, on behalf of four parties, does not support the Modification and believes that it does not better facilitate the Applicable BSC Objectives.

#### Questionnaire Responses:

**Q1(a)** Do you support the Modification Proposal even though the Independence element has been removed?

Seven responses (on behalf of twenty-two parties) support the Modification with the independence element removed, one response (on behalf of three parties) supports the Modification but prefers the independence criteria, and one response (on behalf of four parties) does not support the Modification at all.

**Q1(b)** Do you believe that this approach is equitable and therefore open to all notification agents with the requisite level of system independence and auditability?

Eight responses (on behalf of twenty-five parties) indicate their support for the assertion that the Modification is open to all notification agents and one response (on behalf of four parties) does not support the Modification at all.

**Q1(c)** Do you support the approach of making a site visit to inspect and verify the notification agent systems and to audit such claims?

Eight responses (on behalf of twenty-eight parties) support the site visit approach, and one response (on behalf of four parties) does not support the site visit approach.

**Q1(d)** Do you support the approach of not performing the site visit for such verification and audit of any claim until the initial claim is submitted (rather than making the system verification part of the application for Privileged status)?

Three responses (on behalf of seven parties) support the approach of waiting until the first claim to make a site visit and six responses (on behalf of twenty-two parties) do not support this approach.

**Q1(e)** Do you believe that this approach is sufficiently robust in terms of limiting opportunity for abuse / manipulation by the notification agent?

Four responses (on behalf of eight parties) believe this approach to be sufficiently robust, two responses (on behalf of seven parties) neither support nor do not support the approach and three responses (on behalf of fourteen parties) do not believe the approach to be sufficiently robust.

**Q1(f)** Do you support this approach, whereby the verification and audit tests on the notification agent systems are based upon proving (in advance) the authenticity of a claim and subsequently limiting the number of claims, rather than assessing the adequacy of the notification agent systems?

Five responses (on behalf of fourteen parties) support this approach, three responses (on behalf of fourteen parties) neither support nor do not support the approach and one response (on behalf of one party) does not support the approach.

**Q1(g)** Do you support the approach whereby a claim can be made (and accepted) where the notification agent can prove that the 'settled intent' (i.e. the nomination by the counterparties) does not match the notification to ECVAAs for whatever reason?

Four responses (on behalf of eight parties) support this approach, three responses (on behalf of seventeen parties) neither support nor do not support the approach and two responses (on behalf of five parties) do not support the approach.

**Q2(a)** Do you support the restriction on the submission of claims to the period prior to the Initial Settlement Run?

Eight responses (on behalf of twenty-six parties) support this restriction and one response (on behalf of three parties) does not support the restriction.

**Q2(b)** Where claims are to be restricted to the period prior to the Initial Settlement Run, which of the constraints below is your preferred option?

1. Claim submitted by the end (17:00) of the business day following the Settlement Day;
2. Claim submitted by the end (17:00) of the fifth business day following the Settlement Day; or
3. Claim submitted in time for the Initial Settlement Run (i.e. by 3 business days prior to the scheduled date of the settlement run).

Four responses (on behalf of fifteen parties) support approach **(1)**, three responses (on behalf of six parties) support approach **(2)** and two responses (on behalf of eight parties) support approach **(3)**.

**Q3(a)** Any claim affects the imbalance position of the counterparties to the affected notifications, therefore an authorisation for the Privileged ECVNA to submit such claims is required (Requirements Specification Section 2.4.1.4).

1. Do you support an extension to the existing authorisation arrangements for the ECVNA to submit claims? Or
2. Do you support an explicit authorisation from each of the affected counterparties in the event of a claim?

Five responses (on behalf of seventeen parties) support approach **(1)**, three responses (on behalf of six parties) support approach **(2)** and one response (on behalf of six parties) supports neither approach.

**Q3(b)** If explicit authorisation by both counterparties for each claim was required, would you support a provision whereby a BSC Party affected by a notification agent error / system failure could raise a claim itself if the ECVNA is not authorised to raise a claim by one of the counterparties<sup>4</sup>?

Five responses (on behalf of fourteen parties) support this approach, one response (on behalf of six parties) neither support nor do not support the approach and three responses (on behalf of nine parties) do not support the approach.

**Q4(a)** Do you believe that the values of 12 claims in a rolling year are appropriate (if not, please provide your preferred values)?

Six responses (on behalf of nineteen parties) believe this claim limit to be appropriate and three responses (on behalf of ten parties) do not believe this limit to be appropriate.

**Q4(b)** Do you support the limitation of an individual claim to 4 hours?

Seven responses (on behalf of twenty-seven parties) support this limitation and two responses (on behalf of two parties) do not support this limitation.

**Q4(c)** Do you believe that these values provide an appropriate level of incentive on data quality and system robustness?

Seven responses (on behalf of twenty-four parties) believe these values provide an appropriate incentive, one response (on behalf of one party) did not make any comment and one response (on behalf of four parties) do not believe these values provide an appropriate incentive.

**Q5(a)** Do you support the levying of an Administration Charge (intended to recoup the ELEXON costs in administering the claim, and in making any site visits, Requirements Specification Section 2.4.1.7)

All nine responses (on behalf of twenty-nine parties) support the levying of this Administration Charge.

**Q5(b)** Given that the Administration Charge is intended to reflect the costs of dealing with the claim, what do you believe the appropriate Administration Charge should be?

All nine responses (on behalf of twenty-nine parties) support the cost reflective intent of the Administration Charge.

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<sup>4</sup> i.e. in the (potential) situation identified in the Requirements Specification where a counterparty could be advantaged by the ECVNA failure to notify and therefore does not wish to authorise the claim and have such advantage removed.

**Q5(c)** Do you believe that the levying of this Administration Charge sufficiently targets the costs associated with this Modification?

All nine responses (on behalf of twenty-nine parties) believe that the levying of this Administration Charge targets the costs associated with this Modification.

**Q6** Do you support the Modification Proposal applying to Energy Contract Volume Notification Agents (ECVNAs) only?

Six responses (on behalf of twenty-one parties) support the Modification applying to ECVNAs only, one response (on behalf of four parties) did not support the Modification applying to ECVNAs or MVRNAs, one response (on behalf of one party) had no preference and two responses (on behalf of four parties) believe the Modification should be extended to include MVRNAs (although one response (one party) indicated that this probably constituted a separate Modification).

**Q7(a)** As a counterparty to a trade / notification, how much closer to Gate Closure would you expect to trade / notify as a consequence of the implementation of this Modification Proposal?

As a notifier of a trade / notification, how much closer to Gate Closure would you expect to notify as a consequence of the implementation of this Modification Proposal?

Four responses (on behalf of ten parties) expected to be able to trade / notify trades closer to Gate Closure as a consequence of the implementation of this Modification, three responses (on behalf of eight parties) had no opinion / comment, one response (on behalf of seven parties) indicated that it was a possibility and one response (on behalf of four parties) did not believe that this Modification would have any effect.

One power exchange responded to the consultation (P35\_ASS\_003) and indicated that they would potentially extend their trading window by ten to fifteen minutes if this Modification were to be implemented, and the proposer of the Modification indicated that this may also be the case for the proposer's exchange.

**Q7(b)** In your opinion, would the implementation of this Modification Proposal provide a mechanism for service providers (notification agents) to offer services which enable trading closer to Gate Closure? If so, are you likely to use these services or see an affect from them?

All nine responses (on behalf of twenty-nine parties) indicated that this Modification would provide such a mechanism and that they would be likely to utilise services if offered.

**Q7(c)** Would the implementation of this Modification Proposal increase your incentive to trade within day and why?

Five responses (on behalf of seventeen parties) indicated that this Modification would increase incentives to trade within day, two responses (on behalf of seven parties) did not make any comment and two responses (on behalf of five parties) indicated that this Modification would **not** increase their incentives to trade within day.

**Q8** Do you believe that this Modification Proposal, as set out in the Requirements Specification, better facilitates the Applicable BSC Objectives?

Eight responses (on behalf of twenty-five parties) believe that this Modification Proposal better facilitates the Applicable BSC Objectives and one response (on behalf of four parties) did not believe that this Modification Proposal better facilitates the Applicable BSC Objectives.

## 14 TRANSMISSION COMPANY ANALYSIS

"NGC as the Transmission Company responds to the request to prepare an analysis of P35 - 'Qualified ECVNAs', as follows:

BSC Section F	Transmission Company Response
2.8.1 (a)	No impact
2.8.1 (b)	In summary, the justifications given for this proposal appear to be sound. This proposal should reduce the risk of incurring penalties from near gate closure Notifications, which should remove a possible obstacle for near to gate closure liquidity.
2.8.1 (ci)	No impact
2.8.1 (cii)	No impact
2.8.1 (ciii)	No impact
2.8.1 (d)	Not applicable

The Following is the extract from the Code to which the Transmission Company has responded:

"F 2.8.1 At the request of the Panel or BSCCo, the Transmission Company shall prepare an analysis of any Modification Proposal with:

- (a) an assessment of the impact of the Proposed Modification (and, if applicable, any Alternative Modification) on the ability of the Transmission Company to discharge its obligations efficiently under the Transmission Licence and on its ability to operate an efficient, economical and co-ordinated transmission system;
- (b) the views and rationale of the Transmission Company as to whether the Proposed Modification or any Alternative Modification would better facilitate achievement of the Applicable BSC Objective(s);
- (c) an assessment (where applicable) of:
  - (i) the impact of the Proposed Modification and any Alternative Modification on the computer systems and processes of the Transmission Company;
  - (ii) the changes required to such systems and processes in consequence of the Proposed Modification and any Alternative Modification;
  - (iii) an estimate of the development, capital and operating costs (broken down in reasonable detail) which the Transmission Company anticipates that it would incur in and as a result of implementing the Proposed Modification and any Alternative Modification and any consequential change to Core Industry Documents; and
- (d) such other matters as the Panel or BSCCo may reasonably request."

## 15 PROJECT BRIEF

It is expected that the development and implementation of Modification be undertaken as part of the ongoing ELEXON BSC Systems Delivery Programme Project, such that the ELEXON project costs of implementing this Modification are absorbed into this project.

There are a number of different work streams required for the development and implementation of this Modification Proposal P35, as follows:

- BSC Central Service Agent: Development and implementation of the amendments required to support the Modification in the BSC Systems and associated documentation;
- ELEXON BSC Systems Delivery Programme Project: Co-ordination of the changes to the BSC, Code Subsidiary Documentation, and Core Industry Documentation, as well as co-ordination and assurance of implementation within the BSC Central Services, including the requisite documentation amendments;
- ELEXON Performance Assurance: Local Working Instructions for processing claims (based upon the amended BSC, Code Subsidiary Documentation, and Core Industry Documentation), as well as the development and implementation of the Verification and Audit process for site visits, and identification and clarification of the Performance Assurance Board role and associated guidelines; and
- ELEXON Communications: Development and implementation of the amendments to the BSC Website and amendments to the supporting documentation.

The longest stream is indicated as taking 11 weeks.

It should be noted that the implementation timescales could be impacted if Modification Proposal P44 (Reference 7) is approved for implementation at the same time as this Modification.

It should also be noted that the implementation timescales will also be impacted by the date of Authority decision.

Therefore an initial implementation date of **15 weeks after Authority decision** is proposed, but with the caveat that this may have to be extended if there is significant other development in train at that time.

### **Summary of development and implementation costs**

**£48,000**

## **ANNEX 1 – PROPOSED TEXT TO MODIFY THE BSC**

Pending receipt (scheduled for 14 January 2002)

## **ANNEX 2 – CONSULTATION RESPONSES**

See the associated document 'Attachment 3: Consultation Responses on the Assessment Report.

### ANNEX 3 – BSC AGENT IMPACT ASSESSMENTS

**This will be replaced by the P35 DLIA when it is received from the BSC Central Service Agent (due 14 January 2002).**

The following DLIA (for Modification P44) was received from the NETA Central Service Agent on 13<sup>th</sup> December 2001.

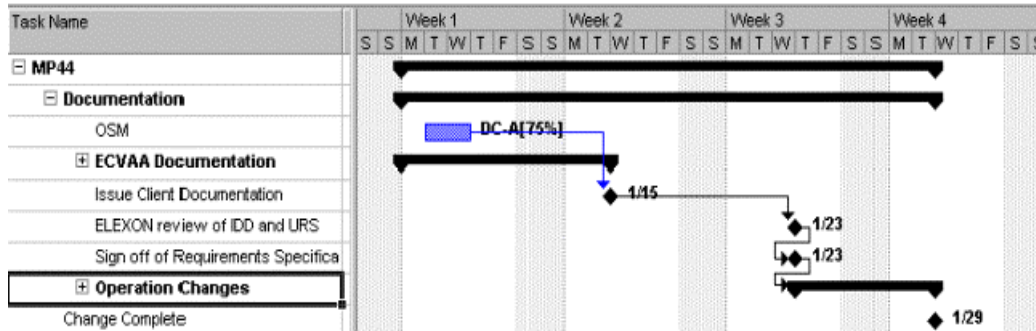
To be completed by the Originator						
Change Request ID (to be provided by the Customer) P44 Logica reference: ICR161			Service affected ECVAA			
Change Request Name:			Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test.			
Agreement by the customer to proceed to the next stage						
	High Level Assessment	Detailed Level Assessment	Change Quotation	Implement Change	Emergency Fix Report	Change Request under Clause 14.2 (delay)
Tick which stage is being requested		✓				
Signed by Customer Baseline Manager						
Signed by Customer Contract Manager						
Date of agreement to proceed to next stage					n/a	n/a
Date this stage to be completed by		13/12/01				
Configuration of Service(s) (baseline affected)						
Assumed Changes (over baseline)		NETA Service Definition Baseline (V1.0)				
Priority		High/Medium/Low				
Identified by : Joanne Culpeck			Date Submitted: 15/11/01			
Description of Change See attached original P44						
Reason for Change (benefits) See attached original P44						
Implications of not making the change See attached original P44						
Attachments/references		P44				
Competition Item Yes/No/n/a		Reasons for Competition				
If Change Request made under Clause 14.2 (delay)		Required supporting information attached				

To be completed by the Service Provider				
	High Level Assessment	Detailed Level Assessment	Change Quotation	
Tick which stage is being completed		✓		
Signed by Service Provider Contract Manager				
Date		13/12/01		
Validity period of costs/prices	Change Quotation			
	Change		30 days	
Does the change involve any changes to the System or Services			Yes / No	
Would the undertaking of a Detailed Level Assessment or Change Quotation delay the Trigger Milestone or the Planned Go-Live Date before Go Live or any Release Date after Go Live			N/a	
If Yes – specify which Milestones/Release Dates would be affected	N/a			
Impact on any Milestones of incorporation of change	N/a			
Indicative impact on resources for change incorporation	Phase of the work			
	Design	Build	Test & Trial	Operate
	Labour			
Materials/3rd Party				
Impact on Service Levels	None			
Impact on IDD				
Price for Detailed Level Assessment				Indicative/firm
Price for Change Quotation				Indicative/firm

<p>Price for Change</p>	<p>£ 16,800 (ex VAT) to develop and implement the change</p> <p>£0(ex VAT) per month to Maintain</p> <p>£960 <b>Estimated</b> (ex VAT) per claim to Operate. The monthly charge will depend on the volume of requests and it is suggested that this is charged under T&amp;M arrangements.</p> <p>The price differs from the HLIA due to the following reasons:</p> <ol style="list-style-type: none"> <li>1. The full Requirements Specification states that an amendment to the ECVAA URS should be included. This update, along with review by Logica and ELEXON was not included in the HLIA.</li> <li>2. The Service Description is assumed to need updating as a result of point 1, which will require additional QA effort against documents (URS, Manual SS, OSM) to ensure compliance.</li> <li>3. The process for P37 has been better defined since the HLIA was produced. It is assumed that the process for P44 will follow similar lines. As a consequence, it is assumed that the same level of auditing and process transparency will be required. This adds additional effort in the definition of the working practices and operator training to ensure the same high standards required by P44 are met.</li> </ol>	<p>Indicative</p> <p>Indicative</p> <p>Indicative</p>
<p>Assumptions for the above Price:</p> <ul style="list-style-type: none"> <li>• Logica will invoice in full for this change on deployment, or within one month of the change being ready for deployment</li> <li>• This will be a manual process (which should be sufficient if the volumes of requests for this process are kept low as is envisaged). Updates will be required to the System Specification and the Operations Manual</li> <li>• Price does not include provision for indexation of daily fee rates with effect from 1<sup>st</sup> April 2002.</li> <li>• The Service Descriptions will have been updated by ELEXON and agreed with Logica prior to commencement of work.</li> <li>• For all formal documentation which is subject to review, Logica shall provide one draft issue and a maximum of 5 working days has been allowed for ELEXON to review and comment on the updates. No allowance is included for addressing comments from ELEXON and only one iteration of all reviewed documents has been included in this price.</li> <li>• Within reasonable levels, ELEXON will make available appropriate staff to assist Logica</li> </ul>		

- during the development of this change
- There will be no new Service Levels.
  - The Maintenance charge has been estimated as a proportion of the price.
  - The cost and durations provided in this HLIA assume that only the CP to which the estimate relates is being implemented. This has been achieved by excluding the effects of other changes.
  - The modification will be implemented through amended documentation and manual processes
  - No change to the NETA central services software is required
  - Any evidence required by the Panel to validate a claim would be in the form of existing reports or ad-hoc scripts
  - Evidence gathering and the running of a dispute run would be chargeable on a T&M basis
  - The business process for P44 with respect to supplying evidence and amending the Notification would broadly follow that of P37
  - The volumes of claims would be small – as anticipated in the P44 Requirements Proposal
  - It is assumed, as per P37, that quality and transparency of process is paramount to ensure correct amendments
  - The ECVAAs URS and Service Description will be updated
  - A new Local Working practice will be produced with training for operators

If the change is to be incorporated after Go Live, is this change proposed to be a patch or release		
If patch, expected time of incorporation		
If release - what release number	Release number	
Date	Release Date	
For High Level Assessment only – is it a Detailed Level Assessment Yes/No	If No, estimate of time and resources required to complete	
Resources Required to undertake	Detailed Level Assessment	Change Quotation
Labour		
Materials		
Consequential amendments to base line:		



Proposed method of Change/ Work statement	The change will be implemented, as per the suggested method in the request, as a manual process within the ECVAA Central service. On the notification of a change from ELEXON, the ECVAA system will manually enter the amended notifications and then subsequently run a dispute settlement run to allow the new data to be sent to the SAA system.  In addition to the entering of data, it is expected that, as per P37, the Central Services will be required to run ad-hoc reports to provide evidence to the Panel to ensure the validity of the claim under the defined criteria. This activity would, as with the extra dispute run, be chargeable on a T&M basis.
Proposed Plan for Change	The estimated time to complete the development of this change is 4 weeks.
Has the customer has indicated this is a competitive change	No
Service Provider Plan for competition	
Risks/Constraints of competition	
Service Provider plan for incorporation of change including testing	
Documentation to be produced by Service Provider to enable competition according to plan above	
Indicative costs of Service Provider role in competition	

<b>For Change Notice only – to be completed by the Customer</b>	
<b>Basis for payment</b>	
<b>Agreed Customer Caused Delay: Yes/No</b>	
<b>If Yes, amount of delay</b>	
<b>Date Change to become effective.</b>	<b>Is this to be a Release Date? Yes/No</b>
<b>Other items as required under the Change Management Procedures</b>	