

---

**Meeting name** BSC Panel

**Date of meeting** 18 October 2001

**Paper Title** INTERIM REPORT: P35 'QUALIFIED ECVNAS'

**Purpose of Paper** For Decision

**Synopsis** The Panel is invited to note an interim report in respect of Modification Proposal P35 'Qualified ECVNAs', which provides a more detailed definition of the Modification Proposal to assist with the Definition Procedure. The Panel is invited to note the interim report and agree that the Definition Procedure be reduced to two months with the Definition Report to be submitted to the November Panel Meeting.

---

## **1. BACKGROUND**

- 1.1 At its meeting of 20<sup>th</sup> September 2001, the BSC Panel reviewed the Initial Written Assessment of Modification Proposal P35 'Qualified ECVNAs', raised by Automated Power Exchange (APX).
- 1.2 The Proposal seeks to introduce the concept of Energy Contract Volume Notification Agents (ECVNAs) who have met certain standards of independence, performance and auditability and are therefore granted 'Qualified' status. The Modification Proposal asserted that this 'Qualified' status would enable notifications received by the ECVNA by Gate Closure to be considered firm for Settlement purposes. The Modification Proposal also requires that 'Qualified ECVNAs' be subject to performance monitoring with appropriate penalties, including removal of 'Qualified' status levied for non-performance.
- 1.3 At the BSC Panel meeting of the 20<sup>th</sup> September 2001 it was determined that further definition of the Modification Proposal was required. ELEXON subsequently met with the Proposer to further define the Modification Proposal and this interim report provides details of the discussions.

## **2. DEFINITION OF THE MODIFICATION PROPOSAL**

- 2.1 The intent of the Modification Proposal is to introduce 'Qualified' Energy Contract Volume Notification Agents (ECVNAs), who, in the event of an ECVNA failure, will be able to submit notifications received by them to the Energy Contract Volume Aggregation Agent (ECVAA). The Modification Proposal requirement is that data received by 'Qualified' ECVNAs be considered firm for settlement purposes. This more detailed definition of the Modification Proposal enables the procedures required to support the Modification to effectively adopt those existing to support ECVAA System Failures and the resolution of Trading Queries / Disputes.
- 2.2 To summarise the definition, the ECVNA requiring 'Qualification' will be required to meet predefined standards at the point of registration with ELEXON, and where it does so, ELEXON will grant the ECVNA the 'Qualified' status. ELEXON will manually hold and maintain the register of such 'Qualified' Notification Agents.

- 2.3 Once 'Qualified', these ECVNAs will continue to operate as currently. However, in the event of a specified ECVNA failure which prevents them from submitting notifications received by them to ECVAAs in time for the associated Gate Closure, the 'Qualified' ECVNA will be able to raise a Trading Query with ELEXON. It will be the responsibility of the 'Qualified' ECVNA to prove to ELEXON the circumstances of the failure and to verify the notifications which require submission to ECVAAs. This is intended to meet the requirements of the Modification Proposal with respect of the auditability of the ECVNA.
- 2.4 On receipt of what will effectively be a Trading Query from the 'Qualified' ECVNA, ELEXON will verify that the ECVNA is 'Qualified' (from the register referenced at 2.2) and will then verify the grounds for the failure. If ELEXON deem the failure to fall within specified criteria, then the notifications requiring submission to ECVAAs as a result of the failure will be provided to ECVAAs for input. It should be noted that it is expected that this process will utilise the procedures in place for dealing with partial ECVAAs System Failures (BSC Section P 5.2.3). It should also be noted that it is expected that for the majority of such ECVNA failures the failure will be short term and thus limited to restoration of the data for one Settlement Period only (as a consequence of the resolution of the historical overwrite issue).
- 2.5 The Modification Proposal asserts that the 'Qualified' ECVNA should meet defined standards of independence, the intent of this is to ensure that the 'Qualified' ECVNA is an impartial Party to the 'failed' notifications, i.e. that the ECVNA themselves are not a party to the notification, other than where they act as an intermediary counterparty.
- 2.6 The Modification Proposal also asserts that the 'Qualified' ECVNA should meet defined performance standards, with appropriate penalties for non-performance, including removal of 'Qualified' status. The intent of this is to 'allow' a 'Qualified' ECVNA to submit a certain number of Trading Queries within a specified period before revoking the 'Qualified' status, incentivising the ECVNA systems to be robust and perform, with the inference that an 'excessive' number of failures indicates that they are not. Thus performance monitoring in this area is limited to the monitoring of the number and extent of the Trading Queries being handled for a 'Qualified' ECVNA. More than the specified number of failures will lead to the revocation of the 'Qualification' status and the requirement for the ECVNA to re-qualify.

### **3. FURTHER DEFINITION**

- 3.1 The Modification Proposal requires further definition to determine the exact nature of the qualification procedure, however, this should constitute some relatively minor requirements over and above the existing registration and qualification procedures for Notification Agents. This will potentially require some minor amendment to the BSC, Section J: Party Agents, and an associated addition to the relevant BSC Procedure to reflect these requirements.
- 3.2 The Modification Proposal also requires further definition in terms of the criteria under which the 'Qualified' ECVNA can be considered to have 'failed'. It is expected that this will be similar in nature to the circumstances defined for Modification P1, and the amendments to the BSC to support Modification P1 appear to incorporate this aspect of Modification Proposal P35.
- 3.3 The Modification Proposal requires further definition in terms of the Trading Query procedure. It is not believed that any amendment to the Balancing and Settlement Code is required, as it is expected that the existing procedure is sufficiently robust and well defined to enable Trading

Queries in this area. However, there may be a requirement to provide an additional mechanism for 'fast tracking' Trading Queries raised as a result of failures within 'Qualified' ECVNAs.

- 3.4 It should be noted that further analysis of the impact of Modification Proposal P35 on the ECVAA process for Credit Checking is required, but it is not expected that an amendment to the ECVAA BSC Agent System would be required to support this Modification. The impact should be limited to an analysis of the effect of 'missing' / late data on the Indebtedness calculations and this will be conducted as part of the Assessment Phase.

#### **4. PROCESS AND TIMETABLE FOR PROGRESSING THE MODIFICATION**

- 4.1 Given that the Modification Proposal, as defined above, has a significantly less material impact than originally envisaged, and consequently requires less definition, it is proposed that the Definition Report for Modification Proposal P35 should be submitted to the BSC Panel for the meeting of the 15<sup>th</sup> November 2001.
- 4.2 It is proposed that in order to provide the Definition Report to this BSC Panel Meeting, that the Modification Proposal be progressed as follows:
- Modification Group Meeting (of the Contract Notification Modification Group) to complete and agree the definition of the Modification Proposal on the 15<sup>th</sup> October 2001;
  - The Definition should be agreed by the Modification Group by the 19<sup>th</sup> October 2001 and the Definition Report / Requirements Specification issued for consultation / impact assessment on 22<sup>nd</sup> October 2001.
  - Responses from this will be discussed at a Modification Group meeting on Monday 5<sup>th</sup> November 2001 and the final recommendations and Definition Report agreed by the Modification Group and submitted to the Panel.
- 4.3 As a consequence of the further definition of the Modification Proposal not being fully reflected in the Initial Written Assessment for Modification proposal P35, it is not proposed to consult on the IWA. As an alternative it is intended to consult on the final definition of the Modification Proposal, as agreed by the Modification Group.

#### **5. RECOMMENDATIONS**

##### **5.1 The Panel is invited to:**

- **NOTE the more detailed definition of Modification Proposal P35;**
- **NOTE the timetable for progressing the Modification; and**
- **AGREE the amendment to the Definition Procedure timetable, such that a Definition Report be completed and submitted to the Panel meeting on 15<sup>th</sup> November 2001.**

Chris Rowell  
Trading Department