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Assessment Report

P87 - Removal of market risk associated with a generator intertrip scheme

**Prepared by the P80 Modification Group on behalf
of the Balancing and Settlement Code Panel**

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Each BSC Panel Member	Various
energywatch	energywatch
Core Industry Document Owners	Various

c Related Documents

Reference	Document
Reference 1	Transmission access and losses under NETA (February 2002), Ofgem
Reference 2	Terms of Reference for the Assessment Procedure of P87
Reference 3	Definition Report P80 (P080DR)
Reference 4	Consultation Paper (P087AC; P080AC)

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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendations

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal P87 during the Assessment Procedure, the P80 Modification Group ('the Group') recommends that the BSC Panel should:

- **ENDORSE the recommendation of the Group and proceed to the Report Phase in accordance with Section F2.7 of the Code;**
- **AGREE that the draft Modification Report contain a provisional recommendation that the Alternative Modification P87 should be made with an Implementation Date of 30 Working Days after the Authority decision;**
- **AGREE that the draft Modification Report contain a provisional recommendation that Proposed Modification should not be made;**
- **In the event, however, that the Authority determines that the Proposed Modification P87 should be made, AGREE an Implementation Date 30 Working Days after the Authority decision; and**
- **AGREE that the draft Modification Report be issued for consultation and submitted to the Panel meeting on 17 October 2002.**

1.2 Rationale for Recommendations

The Group noted that no operational intertrip schemes have operated since Go-Live, but that the current arrangements could lead to consequences of high materiality.

In the first instance, the Group considered that the principle of compensating for the operation of a generator intertripping scheme should be retained, since the risk associated with such an event was then placed on the organisation best placed to manage that risk. The Group further considered that the level of compensation should not be based on freely submitted Bids and Offers, since they may be reflective of different circumstances and intentions and could result in "windfall gains" and Energy Imbalance Price distortions, if accepted as a result of an intertrip scheme operating.

On this basis, the Group considered that the Proposed Modification (which allows for imbalance liability to be removed for the initial Balancing Mechanism Window Period (BMWP) and for further compensation to be provided via a Panel claims process) better achieved Applicable BSC Objective (c).

Furthermore, a majority of the Group were also of the view that the Alternative Proposal, by removing imbalance liability throughout the duration of the event, would be less reliant on utilising the Panel claims process and would therefore be cheaper and more expeditious, thereby better achieving Applicable BSC Objective (d). The Group also agreed that Applicable BSC Objective (c) is better facilitated for the same reason as stated for the Proposed Modification.

A majority of the Group was also of the view that a further distinction between the Proposed Modification and the Alternative Modification was that the Proposed Modification encouraged the generator to manage their position by trading out after the initial BMWP.

On the other hand, the Alternative encouraged the Transmission Company to manage the position after the initial BMWP. Since the Transmission Company is better placed to manage such situations, for example having a better view of when the event might end, this suggested that Applicable BSC Objective (b) might also be better achieved by the Alternative, as compared to the Proposed Modification. Hence, the alternative was preferred to the Proposed Modification, by a majority of the Group.

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

3 MODIFICATION GROUP DETAILS

The P87 Assessment Report has been prepared by the Group, and the membership is detailed in the table below.

Member	Organisation	Role
Neil Cohen	ELEXON	Chairman
Helen Bray	ELEXON	Lead Analyst
Isabelle Haigh	National Grid	Proposer
Rupert Judson	London Electricity	Member
Martin Mate	British Energy	Member
Richard Lavender	National Grid	Member
Tom Cassells	Scottish Power	Member
Cathy McClay	Edison Mission Energy	Member
Gareth Mills	Magnox	Member
Danielle Lane	Centrica	Member
Paul Jones	Powergen	Member
Mick Walbank	AEP Energy Services	Member

In addition the following attendees have attended one or more meetings during the Assessment Procedure:

Member	Organisation	Role
Kristian Myhre	Ofgem	Attendee
Tony Polack	Ofgem	Attendee
Simon Lord	Edison	Attendee
Libby Glazebrook	Edison	Attendee
Rob Hetherington	London Electricity	Attendee
Sanjukta Round	Cornwall Consulting	Attendee
Sarah Grimes	British Gas Trading	Attendee
Roger Salomone	ELEXON	Support
Chris Rowell	ELEXON	Support
Gwilym Rowlands	ELEXON	Support

The Group met six times during the three-month Assessment Procedure for P87.

4 BACKGROUND

Operational intertrip schemes are installed to provide Transmission System protection. In some instances, such schemes facilitate compliance with standards, for example, where system reinforcement is not complete. Rules governing the compensation for generators with operational intertrip schemes are stated in the BSC Section Q5.1.5. During the drafting of the New Electricity Trading Arrangements, it was agreed that compensation for system constraints would be at submitted Bid and Offer Prices. It was also determined that compensation for intertrips would be covered by the same mechanism. However, in the absence of any contractual arrangements, it could be deemed that Bid-Offer Acceptances (BOAs) with Bid Prices as extreme as £-99,999/MWh could be accepted, leading to windfall gains, anomalous Energy Imbalance Prices and increased Balancing Services Use of System (BSUoS) charges.

P87 was raised to attempt to create incentives on both the Transmission Company and BSC Parties to contract for operational intertrip schemes, and thereby remove the associated market risk associated with the issuing of deemed acceptances at Bid Prices as extreme as £-99,999/MWh. The Group also noted that extreme prices could also be used to signal a wish not to trade, rather than the economic impact of disconnection.

In addition, Modification Proposal P80 (P80) 'Deemed Bid-Offer Acceptance for Transmission System faults' was submitted on 01 May 2002, and went through a two-month Definition Procedure, with the Definition Report submitted to the July BSC Panel meeting. P80 seeks to align the compensation for system faults with the current compensation arrangement for intertrips and system constraints. P80 proposes that deemed Acceptances at submitted Bid and Offer Prices would be issued throughout the duration of the system fault. However, P87 seeks to change the compensation arrangements for intertrips away from deemed Acceptances at submitted Bid Prices to issuing contract notifications in the Balancing Mechanism Window Period (BMWP) only. Both P80 and P87 have been assessed in parallel as the Group noted that it was important to reach a consistent rationale for P80 and P87 in respect of better achievement of the Applicable BSC Objectives. The Assessment Procedure for P80 will be completed in time for the 17 October 2002 Panel meeting.

The Group noted the current work being carried out by the Transmission Access Standing Group (TASG) set up under the governance of the Connection Use of System Code (CUSC). The introduction of transmission access arrangements as discussed in Ofgem's 'Transmission access and losses under NETA (February 2002)' (reference 1) stated that:

"the proposed reform of transmission access is based on the creation of financially firm, tradable rights for use of the Transmission System for both generators and customers".

On the basis of this, it is presumed that generators with firm access rights would be entitled to compensation if failure on the Transmission System led to disconnection. However, at the time of writing this report no proposals have been raised with respect to the transmission access initiatives.

At the moment the current compensation for intertrips represents a market risk. If a generator were disconnected from the Transmission System due to the activation of an operational intertrip scheme there may be knock-on effects to all participants. The Group has attempted to determine a default compensation against which the generator and the Transmission Company can negotiate a balancing services agreement.

5 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

5.1 Proposed Modification

Modification Proposal P87 was raised by National Grid on 31 May 2002. The proposal aims to remove undue market risk that may be associated with the current compensation arrangements due to the operation of an intertrip scheme. It only applies to Production BM Units. Under the current compensation arrangements the affected BM Unit could receive a "windfall gain" and System Sell Prices could be set to extreme negative values.

It is proposed that contract notifications would be added retrospectively to remove the imbalance exposure. Contract notifications would be issued for all Settlement Periods for which the Gate Closure had occurred at the time of the intertrip (i.e the BMWP). This ensures that the affected BM Unit has no additional imbalance volume and there would be no impact on Energy Imbalance Prices.

Furthermore, if the commercial consequences of the inter-trip operating are not covered by a Balancing Services Contract (outside the BSC) and the affected BM Unit believes that it has been disadvantaged, it can, under the Proposal suggests take a claim to the Trading Disputes Committee (TDC) to recover costs. It was later determined that any claims would be taken to the Panel and the rationale for this is explained in section 6.1.

The Proposed Modification envisages this being affected via a manual process and aims to avoid any software changes to the BSC Systems. This Modification also includes a "sunset clause" to remove the effect of the proposal on the introduction of any Transmission Access initiative due to be implemented in April 2003.

The justification is that by removing the potential cause of large "windfall gains" and this modification would better facilitate the achievement of Applicable BSC Objective (c).

5.2 Alternative Modification

The Proposed Modification seeks to remove imbalance during the BMWP only, and the provision of any extra compensation would be via a claim made to the Panel. The Group agreed that an Alternative Modification proposal would better facilitate achievement of the Applicable BSC Objectives compared to the original Modification Proposal (see section 5.1).

The Alternative Modification builds on the original proposal by removing imbalance for the entire period of deviation from FPN caused by the intertrip, taking into consideration plant dynamics at the time of the disconnection. The Group recognised that the use of FPN submitted by the affected BM Unit as the reference against which the deviation would be measured could be open to unreasonable exploitation by the affected BM Unit. The Group considered that the Transmission Company could raise such a matter either as a "counter-

claim" to the Panel, or to the Authority, if such unreasonable exploitation was believed to have occurred.

In common with the Proposed Modification the alternative contains the possibility of an extra cashflow because the removal of imbalance for some generators will not be sufficient cashflow. These generators may seek additional compensation to cover additional costs and lost revenue by raising a claim to the Panel.

The justification for the Alternative Modification is that Applicable BSC Objective (c) is better facilitated due to the reasons stated for the Proposed Modification and that Applicable BSC Objective (d) is also better facilitated as the probability of a claim for an extra cashflow being raised is reduced. The majority of the Group agreed that Applicable BSC Objective (b) was also better facilitated by the alternative as the Transmission Company is better placed to manage disconnections that may occur due to the operation of an intertrip scheme, for example, by having a better view of when the event might end.

6 MODIFICATION GROUP DISCUSSIONS

6.1 Overview of Discussions

The Group's terms of reference (reference 2) include a list of criteria that the Group have assessed P87 against, and overviews of the discussions are detailed in the following paragraphs.

For further information on the Group's discussions leading up to this document please refer to the consultation document (reference 4).

The Group discussed whether compensation in the event of a disconnection was appropriate. From the P80 definition consultation it was determined that compensation was appropriate and it was agreed that the BSC offered a transparent process for provision of such compensation (reference 3).

The Group noted that the following three events (i) system fault, (ii) intertrip, and (iii) system constraints should be treated in a consistent manner. The Group recognised the Transmission Company's comments that there is a reduced level of management and competition moving along the spectrum from a system constraint, to an intertrip, and then onto a system fault.

The Group considered that any solution for system faults and intertrips could be based on three basic factors. These factors are:

- the duration of deviation from Final Physical Notification (FPN) caused by the disconnection, including dynamics to ramp up to FPN once the disconnection has ended;
- the level, which would be represented by the forced deviation from FPN (Final Physical Notification) in the BMWP; and
- the price, which is in part related to the duration and level, as well as any loss of revenue, and which represents the total amount of compensation a generator would be entitled to.

The Group noted that the duration of a disconnection due to a Transmission System fault or intertrip scheme could last beyond the initial BMWP. The Group felt that compensation for all the affected Settlement Periods would smear the costs over the correct timeframe and reduce the market risk of these costs being recovered over a shorter timeframe and being commensurately higher, as a result. The Group noted that compensation for system constraints does go beyond the initial BMWP on occasions and that BSC Black Start provisions cover the entire Black Start period, without any limitation or regard to the initial BMWP. Initially, the Group were also of the view that ideally it would be more appropriate to make payment outside of the BSC, but that for practical purposes the Group decided that any solution should be entirely within the BSC.

The Group discussed the level to compensate against after the initial BMWP. They postulated that iPN data frozen at the time of the fault could be the level to compensate against. However, concern was expressed as to whether this solution was equitable to flexible generators and Parties who, for example, had planned outages for the day ahead. In particular, if a daily PN position was 'frozen' as at the time of the system fault, this would not necessarily provide adequate compensation going forward, for instance, when a BM Unit was on a brief outage at the beginning of the system fault. Therefore, the Group determined that FPN as submitted by the Party, identical to the system constraints process, would be a more equitable level to compensate against.

The Group determined that there were a number of potential solutions that could be implemented for P87. The consultation document has outlined how these solutions may be carried out (reference 4). The Group considered the following factors when determining any potential solution:

- imbalance could be removed by deemed Acceptances or contract notifications (Account Bilateral Contract Volumes (QABC));
- whether any actions should be carried ex-post or ex-ante (if possible);
- whether any action should continue after the initial BMWP; and
- if there was a requirement for an extra cashflow, and should this reside within the BSC or outside of the BSC.

The Group also noted that if possible the solution should attempt to maximise the ex-ante actions, as this would decrease any administration charges associated with any manual ex-post changes to the settlement data. The Group noted that during the initial BMWP it may be necessary to carry out ex-post actions as Gate Closure had already occurred.

The Group also determined that if the generator believes that they have been disadvantaged due to the operation of an intertrip scheme then it would be appropriate for a claim for extra compensation to be taken to the Panel, and not to the Trading Disputes Committee (TDC), as drafted in the Modification Proposal. The rationale for this recommendation is that the TDC is only concerned with errors in Settlement Data and does not exercise discretion. The Panel's role would be to set, at its discretion, the total amount (£'s) of compensation, rather than to exercise discretion as to whether the generator should or should not receive compensation. Only generators that do not have any provision outside the BSC for the receipt of any compensation from the Transmission Company are able to use this route to gain further compensation. This view was accepted as a reasonable refinement to the Modification Proposal.

6.2 Sunset Clause

The Group discussed the inclusion of a sunset clause, and overall it was determined that a sunset clause was required for the Proposed Modification as this was drafted in the Modification Proposal. However, the Group did not agree with the requirement for a sunset clause and therefore this was not included in the legal drafting for the Alternative Modification.

The Group did note that an argument in favour of a sunset clause would be that the incentive to develop compensation under the Transmission Access initiative would not be weakened. Furthermore, as the Proposed Modification has the requirement for a sunset clause the Group agreed that this should be drafted into the legal text. The sunset clause will be triggered by a "drop-dead" date of 31 March 2003.

The following sections represent the arguments made by the Group against including a sunset clause into the Alternative Proposal:

- it is difficult to activate the trigger for the "setting of the sun". If the trigger is drafted in a broad manner to attempt to catch all possible scenarios, it could risk prompting judgement as to whether the sunset clause should be triggered or not. If it is narrowly drafted it could risk failing to have the intended effect if the trigger is not activated;
- it is not necessary to include such a provision. There is a clear mechanism to allow for the appropriate BSC Modification to be raised at the relevant time. The introduction of transmission access arrangements will result in a number of BSC Modifications and a relevant proposal could be submitted at this time;
- the Group believed that it was not appropriate for the Panel or any other body to be given the power to revise the trigger (for example, a date, as revised from time to time). The effect of such a power would be to circumvent the Modification Procedure, as set out in the BSC and the Transmission Licence;
- the definition of a sunset clause means that once the trigger is activated then the current arrangements are re-introduced. Since the current arrangements involve compensation being paid, albeit with the described market risk, this arrangement may be even less compatible with any Transmission Access arrangements than the Modification (or its Alternative);
- a sunset clause pre-empts decisions yet to be finalised through the transmission access initiative and brings into account factors which are not, as yet, relevant in the context of the Applicable BSC Objectives; and
- a sunset clause may remove the effect of the modification but will leave a lot of redundant obligations within the physical version of the BSC.

For these reasons a sunset clause has not been drafted for the Alternative Modification.

7 MODIFICATION GROUP ANALYSIS OF THE CONSULTATION RESPONSES AND IMPACT ASSESSMENTS

The Group considered the consultation responses and the following sections summarise the responses and views of the Group.

7.1 Summary of the Consultation Responses

7.1.1 Spectrum

The Group agreed with the majority of respondents that system faults, intertrips and system constraints are all mechanisms by which a BM Unit is prevented from delivering or off-taking from the Transmission System. It was noted that there are two types of intertrips. First, intertrips at generators who have agreed a connection agreement (with a derogation) that does not meet the Transmission Company's planning standards. Secondly, intertrips at generators with compliant connection agreements. The distinction is that the first category of generators could be considered to have already received compensation, as they will have paid lower connection charges. However, the Group noted that generators with intertrips under derogation are not currently covered by the compensation arrangements in the BSC and the Grid Code. The Group agreed with the view that the provision of an intertrip is essentially a service provided by the generator for the benefit of the Transmission Company, and it should be subject to a balancing services arrangement.

Generally, it was agreed that there are similarities in all three situations (system faults, intertrips and constraints), but also important differences, for example, the cause of the disconnection and the management of each are subtly different. Two respondents did not agree that there was a spectrum, and one respondent stated that each situation should be covered by appropriate bespoke compensation arrangements. The Group noted these comments and agreed that compensation for system faults may not be identical to intertrips, but that they would be consistent with each other.

7.1.2 Consistent approach for intertrips and system faults

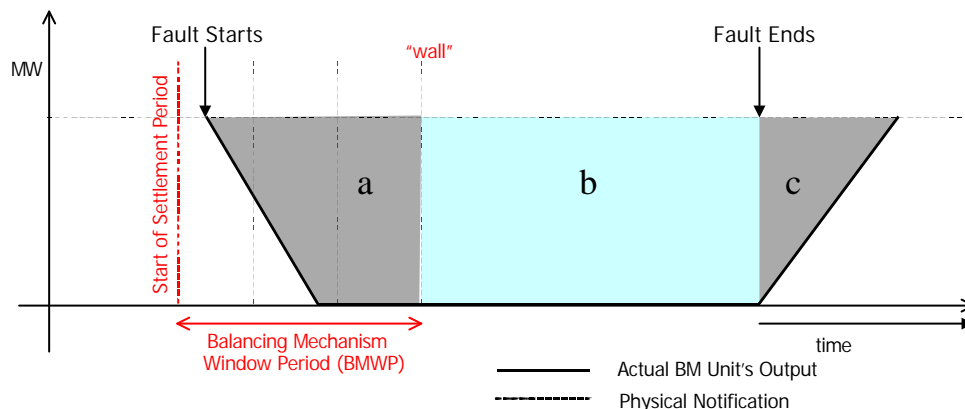
The Group noted that the majority of respondents stated that intertrips and system faults should ideally be treated in a consistent manner, but that this does not necessarily lead to compensation being identical. One respondent stated that the mechanism for intertrips and system faults should both compensate with respect to imbalance, but that any additional compensation received should not be identical. Generally, it was agreed by the Group that irrespective of the reason for the deviation they can have the same commercial effect, but it is important to note that P87 (compensation for intertrips) deals with Production BM Units exclusively, and P80 (compensation for system faults) deals with both Production and Consumption BM Unit.

Two respondents stated they did not agree that system faults and intertrips should be treated in a consistent manner, and one respondent stated that generators should only be compensated when a system fault occurs to ensure that the Transmission Company has the appropriate incentives to maintain and operate the system efficiently. Another respondent stated that a system fault imposes an unexpected detriment to a BSC Party and thus deserves greater compensation than for intertrips, where it is a bilateral commercial agreement between the Transmission Company and a BSC Party. The Group noted that P87 was submitted in an attempt to incentivise the Transmission Company and Parties to contract for intertrips. Furthermore, the Group noted that there was no compensation for system faults.

7.1.3 Potential Solution

The Group agreed that for a disconnection which extends outside the current Balancing Mechanism Window Period (BMWP) there exist 3 distinct periods: (a) the Balancing Mechanism Window Period (BMWP); (b) time after the BMWP until the fault clears (i.e. when full capacity is available again); and (c) a further period of time before the BM Unit can revert to its original position (i.e. according to its dynamic parameters). These are shown in Figure 7.1.

Figure 7.1 – Duration of Fault and Compensation



The Group noted for the Proposed Modification that an affected BM Unit's imbalance would only be removed for area (a).

The following table shows the different potential solutions discussed by the Group, and how an affected BM Unit would be compensated due to the operation of an intertrip scheme. These potential solutions were sent out for industry consultation. It should be noted that PS5 and PS6 would remove an affected BM Unit's imbalance for all the areas (a), (b) and (c).

Potential Solution	BMWP Ex-Post	Future Ex-Ante	Extra Cashflow	Comments
PS1	No Correction	No Correction	No	
PS2	No Correction	No Correction	Yes	
PS3	BOA Correction	No Correction	No	Current
PS4	QABC Correction	No Correction	Yes	Proposed
PS5	BOA Correction	BOA Correction	No	
PS6	QABC Correction	QABC Correction	Yes	Alternative

There were a number of different views with regard to the best potential solution for P87. Five respondents stated that PS4 would be appropriate as it removes the imbalance risk from the BSC Party affected thus dealing with the key issue, but does not artificially affect Energy Imbalance Prices. Furthermore, if participants are confident that they will not be

exposed to Energy Imbalance Prices and will receive an appropriate level of compensation then this should feed through to Bid and Offer Prices. Also, PS4 gives the Party the incentive to manage the risk of imbalance outside the BM and to negotiate a contract with Transmission Company to cover compensation for the intertrip. Another respondent noted that an enduring solution will be best provided by Transmission Access arrangements currently being developed under the CUSC, however, PS4 would remove the market risk as an interim solution and therefore promote competition. PS4 also negates the need for the Transmission Company to manage the process outside of the BMWP inherent in PS6, and it does not require administered prices (i.e. PS5). The Group agreed that PS4 represented the Proposed Modification as drafted, and that this solution better facilitated achievement of the Applicable BSC Objective (c) by removing market risk and the knock on effect that could arise through increased BSUoS payments from participants.

Three respondents stated that PS6 provides the best balance of protection to generators and BSUoS payers in the rare event of an intertrip. Also, PS6 will ensure that the Transmission Company's requirement to manage the Transmission System efficiently and economically is brought into sharp focus. The BM Unit is compensated automatically via deemed Notifications for the duration of the fault and not just for the BMWP. The Group agreed that PS6 should form the basis of the alternative for P87. It was felt that if an affected BM Unit's imbalance was removed for the duration of the fault, which would equate to effectively a Bid of £0/MWh, then there may be a lower requirement for an extra cashflow as compared to PS4. Therefore, the majority of the Group agreed, apart from the Proposer, that PS6 facilitated achievement of another Applicable BSC Objective (d) as the probability of a claim being raised is lowered. A majority of the Group was also of the view that the Alternative Modification incentivised the Transmission Company to manage the position after the initial BMWP. Since the Transmission Company is better placed to manage such situations, for example having a better view of when the event might end, this suggested that Applicable BSC Objective (b) might also be better achieved by the Alternative, as compared to the Proposed Modification.

PS1 was favoured by two respondents as it ensures that there is no cost for faults falling on other participants in the industry. Also, intertrips should be freely negotiated as a balancing services agreement between the Transmission Company and the generator. If the Transmission Company and the generator cannot agree a price then no contract will exist and the Transmission Company will lose the right to intertrip the station. The Group noted that ideally all intertrip schemes should be covered by balancing services agreement.

A hybrid of PS3 and PS5 was supported by one respondent as they stated that compensation should follow the system constraints management process whereby BOAs are issued at submitted prices for the duration of the constraint, or in this case disconnection due to the operation of an intertrip. Whilst the Group noted that this solution is the same as the system constraints management process, the Group was not in support of this solution as there was a risk that an affected BM Unit could submit extreme Bid Prices. The Group agreed that this solution did not remove the market risk associated with intertrips and could potentially affect the Energy Imbalance Prices.

One respondent stated that PS5 is the best solution, as intertrips should be treated in a similar fashion to system constraints. However, they recognise that participants regularly submit extreme Bid and Offer Prices as a signal that they do not wish to deviate from FPN. A solution with a determined price avoids anomalous prices, and the determined price could

be specified a year in advance and this would prevent participants from gaming the price. The Group noted that PS5 could be used in a similar way to PS6, but felt that the amount of work involved in calculating and collating the determined prices represented extra administration that would not be required if PS6 was chosen.

Finally, one respondent stated that prior to selecting one option further clarification of the "extra cashflow" for PS4 was required. Also, in the first Settlement Period when the disconnection occurred there may be an extreme SBP which could affect other industry participants, and how would the return to service profile for a generator in the case of PS5 and PS6 be determined. The Group noted the concerns of this respondent and agreed that the operation of an intertrip scheme may affect System Buy Price. The Group further discussed the return to service profile and it was suggested that the Transmission Company would notify ELEXON and SAA as to the end point of the disconnection whereby a Generator could start to ramp up to FPN. The high level impact assessment from the Transmission Company stated a preference for ex-post actions so any contract notifications submitted would match the ramp up of the generator and ensure that the generator was not exposed to imbalance.

7.1.4 Extra cashflow within or outside of the BSC

The majority of respondents believed that any extra cashflow should reside outside of the BSC as compensation for intertrips is within the realm of a balancing services agreement to be determined between the Transmission Company and the generator under the CUSC. It was further pointed out that compensation should be for the duration of a fault which may extend beyond the BMWP and therefore outside of the BSC. However, there were a number of respondents who believe that any "extra cashflow" should lie within the BSC as this would ensure that there is transparency and an effective governance structure within which to determine the terms of the formula to be adopted in calculating any extra cashflow compensation. The Group noted that industry were in favour of a cashflow outside of the BSC, however, they felt that this would be difficult to mandate and agreed that any extra cashflow should reside within the BSC. The Group agreed that this would avoid any issues that could be raised concerning split governance and provide the simplest solution.

The Group noted that the Proposed Modification stated that a claim could go to the TDC, however, the TDC cannot exercise discretion and as intertrips represent a rare occurrence event it was determined that the Panel should deal with any claims for extra compensation. The Group stated that both the Proposed Modification and the Alternative Modification have the provision for claims to be taken to the Panel.

7.1.5 Requirement for a sunset clause

There was a split in the view as to whether P87 required a sunset clause. One respondent stated that quite simply it should be the Transmission Access Go Live date. Another respondent suggested that compensation arrangements should be automatically removed on the introduction of Transmission Access arrangements provided that there is a seamless transition, and that provisions for intertrip compensation should be reviewed as part of Transmission Access arrangements. However, the majority of respondents felt that there was no requirement for a sunset clause as Modification Proposal are meant to be assessed against the current BSC baseline, and if it is agreed that the proposal better facilitates

achievement of the Applicable BSC Objectives then the modification should be made. It was also stated that there are problems with finding an appropriate 'drop dead date' without needing to define 'Transmission Access' in the Code or establish some kind of precedence between the CUSC and BSC. Furthermore, all BSC clauses stand until they are modified or removed, and it was suggested that the introduction of the Transmission Access arrangements would raise a number of BSC Modifications and that compensation for intertrips could be dealt with at the same time. Generally, the majority of the Group agreed that the only drop dead that could be incorporated into the sunset clause is the 31 March 2002.

7.1.6 Further Comments

The Group noted the further comments that had been made by the respondents. One respondent stated that the only issue that needs to be considered in the BSC is the removal of associated imbalance volume due to an intertrip, and concern was expressed by another Party that they are not convinced that the best place of these arrangements is under the BSC.

One Party stated that the key criteria that must form part of any solution are:

- generators are compensated for the entire duration of fault. Participants will not attempt to recover all losses within the BM window and so prices should be cost reflective;
- disconnection prices should be known in advance to provide stability and allow challenge from Transmission Company;
- there should not be discrimination against players who trade close to gate closure or against participants who do not make the majority of income from trading; and
- given the likelihood of occurrence, the solution should be simple.

The Group noted these requirements and took into account the above points when forming their opinion regarding the Alternative Modification.

One respondent pointed out that unless the generator is able to recover both the imbalance costs and a risk premium relating to the possible costs of plant damage, it would be unlikely to offer intertrip as a service to the system operator. The Group noted that in some situation an intertrip scheme is installed, as reinforcement on the Transmission System is not complete, hence the intertrip may have to be armed for system protection.

Another issue raised discussed that generators who choose to purchase Business Interruption Insurance (BII), in theory, have slightly higher Bid and Offer prices than those who choose not to. Why should the Parties that purchase BII also have to pay for those parties who choose not to purchase BII? The Group noted that BII may not cover for the initial period of disconnection and that this was not a valid insurance method for all generators. The Group also noted that P87 would probably reduce the requirement for insurance and any the premium.

One respondent also stated that this modification raises the issue of split governance. Given that the main debate on Transmission Access is taking place under the CUSC it was stated that any modification to address intertrip arrangements would be on an interim basis of perhaps only a few months. If this is the case the group should consider whether it is

efficient to recommend such a change. The Group noted this comment and agreed that the current baseline represented a market risk that should be removed.

7.2 Summary and Impact Assessments

The CVA BSC Agents high level impact assessment stated that to document the processes to carry out ex-post Notifications would cost £30,000. Furthermore, it would cost approximately £2,000 per incident (see Annex 2).

The Transmission Company's high level impact assessment stated a preference for QABCs to be issued to be deemed (ex-post) as control room timescales would not allow for ex-ante actions to be completed during a disconnection period due to the operation of an intertrip (see Annex 3).

ELEXON recognise that there will be costs incurred to ensure that the affected BM Unit's imbalance is removed. There will also be costs in preparing and submitting a claim to the Panel for extra compensation.

Overall, the Group agreed that:

- PS4 (contract notifications to remove imbalance in the BMWP only plus extra cashflow) represented the Proposed Modification and better facilitates Applicable BSC Objective (c);
- PS6 (contract notifications to remove imbalance throughout the entire deviation from FPN plus extra cashflow) better facilitates Applicable BSC Objectives (c) and (d);
- any extra cashflow should reside within the BSC;
- all actions to settlement should be ex-post;
- there is no requirement for a sunset clause; and
- the solution should be as simple as possible.

8 IMPACT ON BSC AND BSCCO DOCUMENTATION

This section describes the changes required to the BSC in order to effect P87 both the Proposed Modification and the Alternative Modification. This document will be reissued with the legal drafting to be finalised in the Modification Report.

8.1 Proposed Modification

8.1.1 BSC Section N

An affected BM Unit would receive the compensation by way of Ad Hoc Trading Charges. The date on which a payment is made would be the default date set out in Section N6.9.1(b)(ii).

8.1.2 BSC Section Q

Section Q will include a description of an "Intertrip-Affected Period" and an "Intertrip-Affected BM Unit". This section will also include the volume to compensate against, which

will be FPN in the initial BMWP and FPN as submitted by the affected BM Unit following the system constraints process.

A description of the start and end points of a disconnection will be included in Section Q so that the Transmission Company can notify ELEXON and SAA of the relevant dates and times. The end point will signify the time at which the "Intertrip-affected BM Unit" will be able to export onto the Transmission System again and ramp up to FPN.

BSC Section Q5.1.5 will remain and a sunset clause will be drafted which states that all clauses drafted for the Proposed Modification will no longer stand after the 31 March 2002.

BSC Section Q will also include a section for extra compensation / cashflow due to the operation of an intertrip to be determined by the Panel. The amount payable will be determined from:

- i. avoidable costs as described in Section G2;
- ii. lost revenue from any potential actions for balancing services and BM activity. The cost of any lost opportunity associated with balancing services will be based on the historical information supplied from the generator with similar information supplied from the Transmission Company as well;
- iii. any costs associated with trading out; and
- iv. any other charges incurred, i.e Non-Delivery Charge.

The extra compensation paid will be drafted to form part of CSOBM so the cost can be recouped through BSUoS.

8.1.3 BSC Section W

A clause will be drafted in Section W to include a process whereby the Transmission Company and the affected BM Unit will be able to raise a dispute concerning any claim taken to the Panel for extra compensation.

8.1.4 BSC Section X

New defined terms will need to be included, for example, "Intertrip-affected Period" and "Intertrip- affected BM Unit".

8.1.5 BSCCo Documentation

ELEXON will be required to draft local working instructions to ensure that the processes for the intertrip-affected period and the entering of deemed Notifications into ECVAA are documented.

8.2 Alternative Modification

The legal drafting and BSCCo documentation will be the same as that proposed for the Proposed Modification but that deemed Notifications will be issued for the entire duration of the deviation from FPN, not just the BMWP.

Furthermore, a sunset clause will not be require for the Alternative Modification and BSC Section Q5.1.5 will be removed.

9 IMPACT ON BSC SYSTEMS

9.1 Proposed Modification

P87 proposes that any solution will only be a manual process as the occurrence of intertrips is rare. The manual process would be similar to an ECVAA System Failure whereby a deemed Notification would be entered into Settlement data to cancel out the "Intertrip-affected BM Unit's" imbalance. Therefore, the Transmission Company will be informed of the metered volumes, and they can issue deemed Notifications that will ensure an affected BM Unit's imbalance equal to zero.

9.2 Alternative Modification

The changes proposed for the Proposed Modification would be the same for the Alternative Modification apart from the fact that deemed Notifications will be issued throughout the whole "Intertrip-affected Period".

10 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS

10.1 Grid Code

10.1.1 Proposed Modification

BSC Section Q5.1.5 includes a hook to the Grid Code which details that the Transmission Company is obliged to issue a single deemed Acceptance if a BM Unit is disconnected due to the operation of an intertrip scheme. The relevant paragraphs in the Grid Code will need to be updated to refer to the fact that deemed Notifications will be issued to cover the BMWP in which the intertrip occurred.

A sunset clause will also be drafted with a "drop-dead" date of 31 March 2003.

10.1.2 Alternative Modification

BSC Section Q5.1.5 includes a hook to the Grid Code which details that the Transmission Company is obliged to issue a single deemed Acceptance if a BM Unit is disconnected due to the operation of an intertrip scheme. The relevant paragraphs of the Grid Code will need to be updated with the requirement for deemed Notifications to be issued throughout the entire duration of the BM Unit's deviation from FPN.

11 IMPACT ON ELEXON

11.1 Proposed Modification

ELEXON will be notified by the Transmission Company on a case by case basis as to whether the affected BM Unit's intertrip is covered by a balancing services agreement. ELEXON will be required to have a procedure in place whereby the Transmission Company will notify ELEXON of a start and end point of an "Intertrip-affected Period" and any procedures that ELEXON are required to carry out will be described (see BSCCo Documentation).

ELEXON will be required to reissue Section Q to revert to the original drafting (Section BSC Q5.1.5) after the 31 March 2003, if no modifications have been raised that would remove the requirement to compensate for intertrips within the BSC.

11.2 Alternative Modification

The changes proposed for the Proposed Modification would be the same for the Alternative Modification apart from the fact that deemed Notifications will be issued throughout the whole "Intertrip-affected Period", and there would be no requirement to reissue the BSC Section Q.

12 IMPACT ON PARTIES AND PARTY AGENTS

Party Agents will not be affected due P87.

P87 would only require actions from Parties if an intertrip operates. Furthermore, if they believed that they had been disadvantaged due to the operation of an intertrip scheme and wanted to raise a claim for compensation through the Panel.

13 IMPACT ON TRANSMISSION COMPANY

13.1 Proposed Modification

The start and end points of a disconnection due to the operation of an intertrip will be notified by the Transmission Company to ELEXON based on a description in the BSC Section P. Also, the Transmission Company will be required to issue ex-post Notifications to remove an affected BM Unit's imbalance for the BMWP only, and to have any procedures to cover the actions that the Transmission Company is mandated to carry out through the relevant Sections in the BSC.

They will also be required to notify ELEXON where the "Intertrip-affected BM Unit" has a contract for intertrip compensation outside of the BSC.

Following the current baseline there is no impact on the BSAD Methodology Statement as all actions taken due to the operation of an intertrip scheme are classified as system balancing and are not included.

The Transmission Company will be required to provide historical information on the potential lost opportunity associated with Balancing Services for an "Intertrip-affected BM Unit" if a relevant claim is made to the Panel.

13.2 Alternative Modification

The changes proposed for the Proposed Modification would be the same for the Alternative Modification apart from the fact that deemed Notifications will be issued throughout the whole "Intertrip-affected Period".

14 BACKGROUND TO THE IMPLEMENTATION APPROACH

The following section provides an overview of the implementation plan for P87. The Group realises that for both the proposed and alternative modifications that the operation of

intertrips is a rare event and that it may never occur during the period prior to the introduction of Transmission Access within the CUSC. At such time the obligations introduced with P87 will need to be either removed or altered to reflect the solution defined for transmission access arrangements.

As a result the Group were minded to avoid unnecessary expenditure in the production of detailed operational procedures and changes to system documentation. This also reflected the view that should an intertrip occur then the detail of process will be very much defined by the events and circumstances surrounding that particular incident.

With this in mind the Group believed the implementation date should reflect the time required to change the BSC, which defines the required obligations, and that the detailed operational processes should follow, in the case of the:

- Proposed Modification, which has a sunset clause, this should only consist of the high-level local work instructions for ELEXON and none of the documentation for the BSC Systems (i.e. Service Descriptions, Requirements Specifications and System Specifications) should be initially updated;
- Alternative Modification the process to start changing the documentation for the BSC Systems should be started when the modification is approved, reflecting that there is no sunset clause and this may become an enduring solution;

It should be noted that any changes to the BSC Systems documentation will be inline with a planned release and at a minimum will require two-months notice.

Should either modification be approved, then this approach would be revisited during the early stages of implementation, and possibly altered to reflect the progress made with Transmission Access, and the continued requirement for P87 after 31 March 2003.

As a result of this approach, and the ex-post nature of both solutions, the timetable for altering Settlement Runs, and issuing any extra cashflow, would be determined should an incident occur. This may mean that if detailed procedures and agreements do not exist at the time of the incident, that the effect will not be seen until a Reconciliation Settlement Run, such as R1 or R2.

15 PROPOSED TEXT TO MODIFY THE BSC

The following sections include the legal drafting for the Proposed Modification and the Alternative Modification. Both sets of legal drafting will be sent out for consultation before the Modification Report is submitted to the October Panel meeting.

15.1 Proposed Modification

15.1.1 Section Q

Paragraph 5.1.5 of Section Q shall be deleted in its entirety and replaced with the following new paragraph 5.1.5:

5.1.5 For the purposes of paragraph 5.1.3:

- (a) the operation of an intertrip in the circumstances described in BC2.5.2.3 of the Grid Code; and

- (b) to the extent it relates to the relevant Intertrip-affected Period, any express or implied instruction issued by the Transmission Company under the Grid Code to remain at the MW level implied by the operation of such intertrip

shall not be treated as being an Acceptance.

Paragraph 5.1.6 of Section Q shall be amended as follows:

- 5.1.6 The Transmission Company shall log the communications referred to in paragraph 5.1.3 in its system.

Paragraph 5.1.11 of Section Q shall be amended as follows:

- 5.1.11 For the purposes of the Code the "**Bid-Offer Acceptance Time**" in respect of a communication classed as an Acceptance shall be the time at which the communication was issued by the Transmission Company.

Paragraph 5.3.2 of Section Q shall be amended as follows:

- 5.3.2 Subject to paragraph 5.3.3, for the purposes of an Acceptance falling under paragraph 5.1.3(b), the Acceptance Data shall be deemed to include an Acceptance Volume Pair for which:
 - (a) the 'from' time and MW level are the same as the latest 'to' time and MW level which are specified in or can be derived or inferred from the communication;
 - (b) the 'to' time is the end of the last Settlement Period for which Gate Closure fell before the Bid-Offer Acceptance Time, and the 'to' MW level is the same as the 'from' MW level.

The following new paragraph 5.6 shall be inserted in Section Q:

5.6 Intertrip-affected Period

- 5.6.1 For the purposes of this Section Q:
 - (a) in relation to a BM Unit (the "**Intertrip-affected BM Unit**"), the "**Intertrip-affected Period**" is the continuous period of time:
 - (i) commencing with (and including) the Settlement Period in which an intertrip was operated in respect of that BM Unit as described in [BC2.5.2.3] of the Grid Code [other than an intertrip operated as a result of an act or omission of the Lead Party]; and
 - (ii) ending with (and including) the last Settlement Period thereafter for which Gate Closure occurred prior to the operation of such intertrip;
 - (b) an "**Intertrip-affected Settlement Period**" is a Settlement Period falling within an Intertrip-affected Period.
- 5.6.2 The Transmission Company shall notify BSCCo of:
 - (a) the Intertrip-affected BM Unit; and
 - (b) the Intertrip-affected Settlement Periodsas soon as reasonably practicable after the commencement of each Intertrip-affected Period.
- 5.6.3 In relation to the Lead Party of the Intertrip-affected BM Unit and each Intertrip-affected Settlement Period, the Transmission Company shall notify to BSCCo data equivalent to and to be treated, for the purposes of Settlement, as [Energy Contract Volume Data] as soon as

reasonably practicable after such data is available to the Transmission Company and, for these purposes:

- (a) the Energy (From) Account shall be one of the TC (Non-IEA) Energy Accounts as specified by the Transmission Company in such notification;
 - (b) the Energy (To) Account shall be, in relation to the Intertrip-affected BM Unit, the corresponding Energy Account (in accordance with Section X2.2.3(d)) of the Lead Party of the Intertrip-affected BM Unit;
 - (c) the quantity of Active Energy (expressed in MWh) shall be the greater of:
 - (i) the difference between:
 - (1) the [quantity of Active Energy to be [Exported] from the Plant or Apparatus comprised in the Intertrip-affected BM Unit as implied from the Final Physical Notification Data for that BM Unit for that Settlement Period (applying the relevant conventions under the Code); and
 - (2) the BM Unit Metered Volume for the Intertrip-affected BM Unit; and
 - (ii) zero;
 - (d) such notification shall be considered to be additional to any other relevant Energy Contract Volume Notifications relating to the Intertrip-affected Settlement Period.
- 5.6.4 The Transmission Company and the Lead Party of each BM Unit associated with an intertrip scheme shall do such further things as BSCCo may reasonably request in order to give effect to the intent of this paragraph 5.6 (including, if so requested, the submission of a relevant [ECVNA] Authorisation).
- 5.6.5 BSCCo shall ensure that data provided by the Transmission Company pursuant to paragraph 5.6.3 is sent to the relevant BSC Agents as soon as reasonably practicable, and such data shall be taken into account in the next Settlement Run for the relevant Intertrip-affected Settlement Period following receipt of such data by the relevant BSC Agents.
- 5.6.6 For the avoidance of doubt, Settlement Runs in relation to Intertrip-affected Settlement Periods shall be carried out without the data referred to in paragraph 5.6.3 until such data is provided to the relevant BSC Agents, and no Trading Dispute may be raised in respect thereof merely by virtue of the absence of such data (unless such absence constitutes a breach of paragraph 5.6.3).
- 5.6.7 In relation to the Lead Party of an Intertrip-affected BM Unit, the existence of an Intertrip-affected Period which is known to BSCCo may, if BSCCo considers appropriate, constitute a material doubt for the purposes of Section M3.4 (but no Trading Dispute may be raised in relation to the calculation of such Lead Party's Credit Cover Percentage by virtue of any matter referred to in this paragraph 5.6 and such Lead Party shall not be entitled to any Credit Cover Error Compensation in respect thereof).
- 5.6.8 The introduction of this paragraph 5.6 and any modifications to the Code made at the same time as and associated with the introduction of this paragraph 5.6 (including the modification to paragraph 5.1.5) shall cease to apply, and shall be treated as removed from the Code, with effect from [31 March 2003] such that, with effect from that date, the provisions of the Code without such modifications (including the reinstatement of any text deleted by virtue of such modifications) shall be in force and apply in respect of the period on and from such date (but without prejudice to any other modifications which may be made to the Code after the date when this paragraph 5.6 takes effect).

The following new paragraph 9 shall be inserted in Section Q:

9. COMPENSATION FOR SYSTEM ACTIONS

9.1 Claims for compensation for Intertrip-affected BM Units

- 9.1.1 The Lead Party of an Intertrip-affected BM Unit shall be entitled to make a claim for compensation to be established pursuant to paragraph 9.2 in respect of such BM Unit and each relevant Settlement Period provided the Lead Party has demonstrated, to the satisfaction of the Panel, that:
- (a) (without prejudice to the compensation to be established pursuant to paragraph 9.2) it suffered a material loss, which it could not reasonably have avoided, as a result of the operation of the intertrip in respect of the Intertrip-affected BM Unit; and

- (b) there is no agreement in place for the provision of any compensation or the making of any payment by the Transmission Company to such Lead Party in consequence of the operation of such intertrip (save under paragraph 9.2).
- 9.1.2 For the purposes of paragraph 9.1.1, a relevant Settlement Period is any Settlement Period within the period:
- (a) commencing with (and including) the Settlement Period in which the intertrip was operated in respect of the Intertrip-affected BM Unit as described in [BC2.5.2.3] of the Grid Code [other than an intertrip operated as a result of an act or omission of the Lead Party]; and
 - (b) ending with (and including) the Settlement Period immediately prior to the first Settlement Period following the operation of such intertrip at the start of which [the Lead Party was permitted under the Grid Code to operate Plant comprised in that BM Unit at its prevailing PN level for that Settlement Period];
- 9.1.3 Where the Lead Party wishes to make a claim for compensation, it shall submit a notice in writing to BSCCo within [10 Business Days] after the Settlement Run referred to in Section 5.6.5, together with a statement, explanation and such supporting evidence as the Lead Party considers appropriate in order to demonstrate the matters referred to in paragraph 9.1.1.
- 9.1.4 The Panel shall determine whether the Lead Party has demonstrated the matters referred to in paragraph 9.1.1 and the Panel's determination shall be final and binding.
- 9.1.5 For the purposes of paragraph 9.1.4:
- (a) (without prejudice to the Lead Party's responsibility to demonstrate the matters referred to in paragraph 9.1.1), the Lead Party and the Transmission Company shall provide the Panel with such information as the Panel may reasonably request for the purposes of making its determination; and
 - (b) if the Transmission Company concurs with the Lead Party's statement that no agreement of the kind referred to in paragraph 9.1.1(b) is in place, such concurrence shall be taken as sufficient evidence to demonstrate the matters referred to in paragraph 9.1.1(b).
- 9.1.6 BSCCo shall notify the Lead Party of the Panel's determination pursuant to paragraph 9.1.4.
- 9.1.7 If the Panel determines that the Lead Party has demonstrated the matters referred to in paragraph 9.1.1, the Panel shall establish the [compensation] due to the Lead Party pursuant to and in accordance with paragraph 9.2.
- 9.1.8 [In order to facilitate determinations under this paragraph 9.1, the Transmission Company and the relevant Lead Party shall notify BSCCo from time to time:
- (a) of each BM Unit of the Lead Party for which the Plant [includes] an intertrip scheme; and
 - (b) whether or not such BM Unit is the subject of an agreement of the type referred to in paragraph 9.1.1(b),
- and such notification shall, for the purposes of this paragraph 9.1 be conclusive evidence that such an agreement is in place until and unless the Transmission Company and/or the Lead Party notifies BSCCo to the contrary.]
- 9.2 Establishment of compensation**
- 9.2.1 In this paragraph 9.2:
- (a) the 'relevant' Lead Party is the Lead Party making a claim for [compensation] falling within this paragraph 9.2 under any provision of the Code which provides for such claim to be made;
 - (b) the 'relevant' BM Unit is the BM Unit of the Lead Party in respect of which such claim is made;
 - (c) the 'relevant' Settlement Period or Periods is (or are) the Settlement Period(s) in respect of which such claim is made;
 - (d) the 'relevant' event is the event or circumstance giving rise to such claim as described in the provision of the Code which provides for such claim to be made.
- 9.2.2 This paragraph 9.2 applies where a provision of the Code provides for the establishment of [compensation] pursuant to this paragraph 9.2.
- 9.2.3 Where this paragraph 9.2 applies, the Panel shall determine, in respect of a relevant Lead Party, the amount of [compensation] due to the relevant Lead Party in respect of the relevant

BM Unit and each relevant Settlement Period in accordance with the [principles] set out in paragraph [9.2.4].

9.2.4 The principles referred to in paragraph 9.2.3 are:

- (a) the compensation shall reflect the amount of loss, in the Panel's opinion, suffered by the relevant Lead Party as a result of the relevant event;
- (b) the Panel may take into account the extent to which, in the Panel's opinion, the relevant Lead Party could reasonably have avoided such loss; and
- (c) in considering the amount of such loss and the extent to which it could reasonably have been avoided, the Panel shall have regard to:
 - (i) any Avoidable Costs lost or saved, in the Panel's opinion, as a result of the relevant matter;
 - (ii) any revenue which has, in the Panel's opinion, been foregone (having regard to relevant historical data) by virtue of the Lead Party's inability to provide balancing services via the relevant BM Unit to the Transmission Company as a result of the relevant event;
 - (iii) any Trading Charges incurred by the Lead Party which would not have been incurred but for the relevant event (including any Non-Delivered Offer or Bid Charges); and
 - (iv) any costs incurred or saved or revenue lost or earned, in the Panel's opinion, in trading Active Energy to mitigate the effect of the relevant event.

9.2.5 For the purposes of paragraph 9.2.3, the relevant Lead Party and the Transmission Company shall provide the Panel with such information as the Panel may reasonably request for these purposes.

9.2.6 The determination of the Panel pursuant to paragraph 9.2.3 shall be final and binding.

9.2.7 Where, in relation to a relevant Lead Party, the Panel has established the amount of compensation due to the relevant Lead Party pursuant to this paragraph 9.2:

- (a) the relevant Lead Party shall be entitled to be paid by the BSC Clearer the sum, for all relevant BM Units and all relevant Settlement Periods relating to the claim, of the amounts of compensation determined by the Panel pursuant to paragraph 9.2.3 [together with interest at the Base Rate on each compensation amount from the Initial Payment Date for the relevant Settlement Period to (but not including) the date (if later) when such payment is made;
- (b) the Transmission Company shall be liable to pay to the BSC Clearer an amount equal to the sum payable to the relevant Lead Party under paragraph (a);
- (c) the amount of the entitlements and liabilities under paragraphs (a) and (b) shall be Ad-hoc Trading Charges for the purposes of Section N6.9;
- (d) BSCCo shall give such instructions to the FAA as are necessary to give effect to the payment of such Ad-hoc Trading Charges; and
- (e) any sum for which the Transmission Company is liable under paragraph (b) shall be treated (other than for Settlement purposes) as if it were a debit or credit (as the case may be) to the Daily System Operator BM Cashflow referred to in Section T1.2.2(b) for the Settlement Day in respect of which the Payment Date is the same as the Payment Date for such Ad-hoc Trading Charges.

15.1.2 Annex X-1

The following new definitions shall be inserted in alphabetical order in Annex X-1:

"Avoidable Costs":	has the meaning given to that term in Section G2.1;
"Intertrip-affected BM Unit":	has the meaning given to that term in Section Q5.6;
"Intertrip-affected Period":	has the meaning given to that term in Section Q5.6;
"Intertrip-affected Settlement Period":	has the meaning given to that term in Section Q5.6;

15.2 Alternative Modification

15.2.1 Section Q

Paragraph 5.1.5 of Section Q shall be deleted in its entirety and replaced with the following new paragraph 5.1.5:

5.1.5 For the purposes of paragraph 5.1.3:

- (a) the operation of an intertrip in the circumstances described in BC2.5.2.3 of the Grid Code; and
- (b) to the extent it relates to the relevant Intertrip-affected Period, any express or implied instruction issued by the Transmission Company under the Grid Code to remain at the MW level implied by the operation of such intertrip

shall not be treated as being an Acceptance.

Paragraph 5.1.6 of Section Q shall be amended as follows:

5.1.6 The Transmission Company shall log the communications referred to in paragraph 5.1.3 in its system.

Paragraph 5.1.11 of Section Q shall be amended as follows:

5.1.11 For the purposes of the Code the "**Bid-Offer Acceptance Time**" in respect of a communication classed as an Acceptance shall be the time at which the communication was issued by the Transmission Company.

Paragraph 5.3.2 of Section Q shall be amended as follows:

5.3.2 Subject to paragraph 5.3.3, for the purposes of an Acceptance falling under paragraph 5.1.3(b), the Acceptance Data shall be deemed to include an Acceptance Volume Pair for which:

- (a) the 'from' time and MW level are the same as the latest 'to' time and MW level which are specified in or can be derived or inferred from the communication;
- (b) the 'to' time is the end of the last Settlement Period for which Gate Closure fell before the Bid-Offer Acceptance Time, and the 'to' MW level is the same as the 'from' MW level.

The following new paragraph 5.6 shall be inserted in Section Q:

5.6 Intertrip-affected Period

5.6.1 For the purposes of this Section Q:

- (a) in relation to a BM Unit (the "**Intertrip-affected BM Unit**"), the "**Intertrip-affected Period**" is the period of time determined by the Transmission Company and notified to BSCCo, being the continuous period of time:

- (i) commencing with (and including) the Settlement Period in which an intertrip was operated in respect of that BM Unit as described in [BC2.5.2.3] of the Grid Code [other than an intertrip operated as a result of an act or omission of the Lead Party]; and
 - (ii) ending with (and including) the Settlement Period immediately prior to the first Settlement Period following the operation of such intertrip at the start of which [the Lead Party was permitted under the Grid Code to operate Plant comprised in that BM Unit at its prevailing PN level for that Settlement Period];
 - (b) an "**Intertrip-affected Settlement Period**" is a Settlement Period falling within an Intertrip-affected Period.
- 5.6.2 The Transmission Company shall notify BSCCo of:
- (a) the Intertrip-affected BM Unit; and
 - (b) the Intertrip-affected Settlement Periods
- as soon as reasonably practicable after the commencement of each Intertrip-affected Period.
- 5.6.3 In relation to the Lead Party of the Intertrip-affected BM Unit and each Intertrip-affected Settlement Period, the Transmission Company shall notify to BSCCo data equivalent to and to be treated, for the purposes of Settlement as [Energy Contract Volume Data] as soon as reasonably practicable after such data is available to the Transmission Company and, for these purposes:
- (a) the Energy (From) Account shall be one of the TC (Non-IEA) Energy Accounts as specified by the Transmission Company in such notification;
 - (b) the Energy (To) Account shall be, in relation to the Intertrip-affected BM Unit, the corresponding Energy Account (in accordance with Section X2.2.3(d)) of the Lead Party of the Intertrip-affected BM Unit;
 - (c) the quantity of Active Energy (expressed in MWh) shall be the greater of:
 - (i) the difference between:
 - (1) the [quantity of Active Energy to be [Exported] from the Plant or Apparatus comprised in the Intertrip-affected BM Unit as implied from the Final Physical Notification Data for that BM Unit for that Settlement Period (applying the relevant conventions under the Code); and
 - (2) the BM Unit Metered Volume for the Intertrip-affected BM Unit; and
 - (ii) zero;
 - (d) such notification shall be considered to be additional to any other relevant Energy Contract Volume Notifications relating to the Intertrip-affected Settlement Period.
- 5.6.4 The Transmission Company and the Lead Party of each BM Unit associated with an intertrip scheme shall do such further things as BSCCo may reasonably request in order to give effect to the intent of this paragraph 5.6 (including, if so requested, the submission of a relevant [ECVNA] Authorisation).
- 5.6.5 BSCCo shall ensure that data provided by the Transmission Company pursuant to paragraph 5.6.3 is sent to the relevant BSC Agents as soon as reasonably practicable, and such data shall be taken into account in the next Settlement Run for the relevant Intertrip-affected Settlement Period following receipt of such data by the relevant BSC Agents.
- 5.6.6 For the avoidance of doubt, Settlement Runs in relation to Intertrip-affected Settlement Periods shall be carried out without the data referred to in paragraph 5.6.3 until such data is provided to the relevant BSC Agents, and no Trading Dispute may be raised in respect thereof merely by virtue of the absence of such data (unless such absence constitutes a breach of paragraph 5.6.3).
- 5.6.7 In relation to the Lead Party of an Intertrip-affected BM Unit, the existence of an Intertrip-affected Period which is known to BSCCo may, if BSCCo considers appropriate, constitute a material doubt for the purposes of Section M3.4 (but no Trading Dispute may be raised in relation to the calculation of such Lead Party's Credit Cover Percentage by virtue of any matter referred to in this paragraph 5.6 and such Lead Party shall not be entitled to any Credit Cover Error Compensation in respect thereof).

The following new paragraph 9 shall be inserted in Section Q:

9. COMPENSATION FOR SYSTEM ACTIONS

9.1 Claims for compensation for Intertrip-affected BM Units

- 9.1.1 The Lead Party of an Intertrip-affected BM Unit shall be entitled to make a claim for compensation to be established pursuant to paragraph 9.2 in respect of such BM Unit and each Intertrip-affected Settlement Period provided the Lead Party has demonstrated, to the satisfaction of the Panel, that:
- (a) (without prejudice to the compensation to be established pursuant to paragraph 9.2) it suffered a material loss, which it could not reasonably have avoided, as a result of the operation of the intertrip in respect of the Intertrip-affected BM Unit; and
 - (b) there is no agreement in place for the provision of any compensation or the making of any payment by the Transmission Company to such Lead Party in consequence of the operation of such intertrip (save under paragraph 9.2).
- 9.1.2 Where the Lead Party wishes to make a claim for compensation, it shall submit a notice in writing to BSCCo within [10 Business Days] [10 Business Days] after the Settlement Run referred to in Section 5.6.5, together with a statement, explanation and such supporting evidence as the Lead Party considers appropriate in order to demonstrate the matters referred to in paragraph 9.1.1.
- 9.1.3 The Panel shall determine whether the Lead Party has demonstrated the matters referred to in paragraph 9.1.1 and the Panel's determination shall be final and binding.
- 9.1.4 For the purposes of paragraph 9.1.3:
- (a) (without prejudice to the Lead Party's responsibility to demonstrate the matters referred to in paragraph 9.1.1), the Lead Party and the Transmission Company shall provide the Panel with such information as the Panel may reasonably request for the purposes of making its determination; and
 - (b) if the Transmission Company concurs with the Lead Party's statement that no agreement of the kind referred to in paragraph 9.1.1(b) is in place, such concurrence shall be taken as sufficient evidence to demonstrate the matters referred to in paragraph 9.1.1(b).
- 9.1.5 BSCCo shall notify the Lead Party of the Panel's determination pursuant to paragraph 9.1.3.
- 9.1.6 If the Panel determines that the Lead Party has demonstrated the matters referred to in paragraph 9.1.1, the Panel shall establish the [compensation] due to the Lead Party pursuant to and in accordance with paragraph 9.2.
- 9.1.7 [In order to facilitate determinations under this paragraph 9.1, the Transmission Company and the relevant Lead Party shall notify BSCCo from time to time:
- (a) of each BM Unit of the Lead Party for which the Plant [includes] an intertrip scheme; and
 - (b) whether or not such BM Unit is the subject of an agreement of the type referred to in paragraph 9.1.1(b),
- and such notification shall, for the purposes of this paragraph 9.1 be conclusive evidence that such an agreement is in place until and unless the Transmission Company and/or the Lead Party notifies BSCCo to the contrary.]

9.2 Establishment of compensation

- 9.2.1 In this paragraph 9.2:
- (a) the 'relevant' Lead Party is the Lead Party making a claim for [compensation] falling within this paragraph 9.2 under any provision of the Code which provides for such claim to be made;
 - (b) the 'relevant' BM Unit is the BM Unit of the Lead Party in respect of which such claim is made;
 - (c) the 'relevant' Settlement Period or Periods is (or are) the Settlement Period(s) in respect of which such claim is made;
 - (d) the 'relevant' event is the event or circumstance giving rise to such claim as described in the provision of the Code which provides for such claim to be made.
- 9.2.2 This paragraph 9.2 applies where a provision of the Code provides for the establishment of [compensation] pursuant to this paragraph 9.2.
- 9.2.3 Where this paragraph 9.2 applies, the Panel shall determine, in respect of a relevant Lead Party, the amount of [compensation] due to the relevant Lead Party in respect of the relevant

BM Unit and each relevant Settlement Period in accordance with the [principles] set out in paragraph [9.2.4].

9.2.4 The principles referred to in paragraph 9.2.3 are:

- (a) the compensation shall reflect the amount of loss, in the Panel's opinion, suffered by the relevant Lead Party as a result of the relevant event;
- (b) the Panel may take into account the extent to which, in the Panel's opinion, the relevant Lead Party could reasonably have avoided such loss; and
- (c) in considering the amount of such loss and the extent to which it could reasonably have been avoided, the Panel shall have regard to:
 - (i) any Avoidable Costs lost or saved, in the Panel's opinion, as a result of the relevant matter;
 - (ii) any revenue which has, in the Panel's opinion, been foregone (having regard to relevant historical data) by virtue of the Lead Party's inability to provide balancing services via the relevant BM Unit to the Transmission Company as a result of the relevant event;
 - (iii) any Trading Charges incurred by the Lead Party which would not have been incurred but for the relevant event (including any Non-Delivered Offer or Bid Charges).

9.2.5 For the purposes of paragraph 9.2.3, the relevant Lead Party and the Transmission Company shall provide the Panel with such information as the Panel may reasonably request for these purposes.

9.2.6 The determination of the Panel pursuant to paragraph 9.2.3 shall be final and binding.

9.2.7 Where, in relation to a relevant Lead Party, the Panel has established the amount of compensation due to the relevant Lead Party pursuant to this paragraph 9.2:

- (a) the relevant Lead Party shall be entitled to be paid by the BSC Clearer the sum, for all relevant BM Units and all relevant Settlement Periods relating to the claim, of the amounts of compensation determined by the Panel pursuant to paragraph 9.2.3 [together with interest at the Base Rate on each compensation amount from the Initial Payment Date for the relevant Settlement Period to (but not including) the date (if later) when such payment is made;
- (b) the Transmission Company shall be liable to pay to the BSC Clearer an amount equal to the sum payable to the relevant Lead Party under paragraph (a);
- (c) the amount of the entitlements and liabilities under paragraphs (a) and (b) shall be Ad-hoc Trading Charges for the purposes of Section N6.9;
- (d) BSCCo shall give such instructions to the FAA as are necessary to give effect to the payment of such Ad-hoc Trading Charges; and
- (e) any sum for which the Transmission Company is liable under paragraph (b) shall be treated (other than for Settlement purposes) as if it were a debit or credit (as the case may be) to the Daily System Operator BM Cashflow referred to in Section T1.2.2(b) for the Settlement Day in respect of which the Payment Date is the same as the Payment Date for such Ad-hoc Trading Charges.

15.2.2 Annex X-1

The following new definitions shall be inserted in alphabetical order in Annex X-1:

"Avoidable Costs":	has the meaning given to that term in Section G2.1;
"Intertrip-affected BM Unit":	has the meaning given to that term in Section Q5.6;
"Intertrip-affected Period":	has the meaning given to that term in Section Q5.6;
"Intertrip-affected Settlement Period":	has the meaning given to that term in Section Q5.6;

ANNEX 1 P87 CONSULTATION RESPONSES

see attached document P087AR01_appdx1.pdf

ANNEX 2 BSC AGENT IMPACT ASSESSMENT

NETA Change Form	MP/CP/TP No: MP80 and MP87
	Logica reference: ICR410
Title: P80 'Deemed Bid/Offer Acceptance for Transmission System faults' and P87 'Removal of Market Risk Associated with Operation of a Generator Inter-Trip Scheme'	
Identified by: ELEXON	Date received: 15/8/2002

Statement of requirement
Baseline affected: NETA Service Definition Baseline (V1.0)
Assumed changes over baseline: None
Description of Change: See attached Modification Proposals P80 & P87 - Consultation Paper
Proposed solution: See attached Modification Proposals P80 & P87 - Consultation Paper
Justification for Change: See attached Modification Proposals P80 & P87 - Consultation Paper
Proposed changes to Service Levels: None
Proposed changes to the Agreement: None
Attachments/references: Modification Proposals P80 & P87 - Consultation Paper

To be completed by Logica			
	High Level Impact Assessment	Detailed Level Impact Assessment	Quotation
Tick which stage is being completed:	✓		
Signed by Logica Contract Manager:			
Date:	29/8/2002		
HLIA category: Small/Medium/Large/Other		Price for DLIA:	
If this is a Quotation, are consequential modifications needed to the DLIA? Yes/No.			

Logica's proposal	
<p>Logica's understanding of the requirement:</p> <p>P80 - Deemed bid/offer acceptance for transmission system faults Where a BM Unit is forced to deviate from Physical Notification due to faults on the transmission system outside its control, the TC should be obligated to issue a deemed bid-offer acceptance reflecting the forced deviation, for as long as the situation continues. The BSC only covers obligations in relation to inter-trips. This proposal seeks to include all other system faults outside the control of the BM Unit Lead Party.</p> <p>P87 - Removal of market risk associated with operation of a generator inter-trip scheme The compensation payable following a generation inter-trip scheme is currently achieved, where applicable under the Grid Code, via a deemed bid acceptance. This proposal seeks to remove the problems associated with this solution, namely windfall gains and setting extreme negative values of SSP, by issuing contract notifications retrospectively to remove the imbalance exposure associated with the trip. This proposal also recommends that, where the commercial consequences of the inter-trip operation are not covered by a Balancing services contract then a claim can be made via the TDC to recover the costs.</p>	
<p>Logica's proposed design solution:</p> <p>See attached P80/P87 Design Solutions</p>	
<p>Consequential changes to Project Deliverables:</p> <p>Document Changes for ECVAA, SAA</p>	
<p>Consequential impact on BSC Service Users or Other Service Providers:</p> <p>None.</p>	
<p>Testing strategy:</p> <p>N/A</p>	
<p>Management plan for developing the Change:</p>	
<p>Project plan for developing the Change:</p> <p>The development of this change is expected to take 6 weeks</p>	
<p>Method of deployment:</p>	
N/A	Is a planned outage required? No

Price for Design and Build:		
Item description:	Price (ex VAT)	Type of price:
Develop and document formal processes	£30,000	Fixed
Price for Operate and Maintain:		
Item description:	Price (ex VAT)	Type of price:
Operate per incident	£2,000	T&M
Maintain	£0	Fixed
If this is a DLIA or Quotation, is a price breakdown in the agreed format attached? N/a		
Terms attaching to the offer		
Validity period of offer: 30 days	Type of offer: Indicative	
Assumed start date:		
Payment milestones: Logica will invoice in full on completion of development. For the operate it is suggested that this is charged under T&M arrangements at rates applicable at the time and invoiced in the month following the incident.		
Document turnaround time: N/A		
Impact on Service Levels: None		
Impact on performance of the System: None		
Other terms:		
If this is a Quotation, is a draft contract amendment attached? Yes/No		
Responsibilities of ELEXON:		
<ul style="list-style-type: none"> • Within reasonable levels, ELEXON will make available appropriate staff to assist Logica during the development of this change. • For all DCRs which are 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. Comments will be addressed and the final issue will be provided. A maximum of 2 working days has been allowed for review confirmation and signoff by ELEXON. 		
Assumptions made by Logica:		
<ul style="list-style-type: none"> • No changes to the software are required. • No account has been taken for any additional effort required to operate, such as determining the numbers to be entered when an incident occurs or for extracting from the database an ad hoc report of what's on the database (e.g. screenshots) • No allowance is included for any participant involvement. • Price excludes provision for indexation of daily rates from 1st April 2003. • Price is for creating DCRs, not a formal documentation issue. • No allowance is included in the price for Service Descriptions being different from the Change/Modification Proposal. 		
Options and alternatives:		

Design Solutions
P80 / P87
Document Changes

	BMRA	CDCA	CRA	ECVAA	SAA	TAA
URS				Y	Y	
SS						N/A
DS						N/A
MSS				Y	Y	N/A
OSM				Y	Y	

IDD	Part 1 document	
	Part 1 spreadsheet	
	Part 2 document	Y - new manual flows
	Part2 spreadsheet	

Software Changes

1. none
- 2.

Other Changes

1. Define formal process which combines the submission of an Energy Contract Volume Notification Authorisation and an Energy Contract Volume Notification under that Authorisation. It is expected that the Notification will be in the past. The Authorisation will be between a Participant Energy Account and a System Operator Energy Account. (Note that Authorisations can only be effective from the following calendar day at the earliest and so the process will have two separate parts).
2. Define formal process for manual notification of a Bid-Offer Acceptance which combines insertion of one (or more) Acceptances [note that the maximum Acceptance duration is 4 hours], and the change of Bid and or Offer Prices for the period of the notification to zero or other value as notified.

Notes

1. Only part 2 of the IDD is impacted as the new flows will come from either the SO or from BSCCo.
2. When issuing an Acceptance, the Bid price will need to be amended to zero too. Note that where the new bid starts part way through a period and there are earlier genuine bids within that period too, the actual price for that period may need to be set so that the cash flow is correct (unless this cash flow is handled by another mechanism)
3. In order to adjust a participant's Account Bilateral Contract Volume (QABC), a Notification is required between that Account and some other Account. It is assumed here that the other Account will be one of the System Operator's non-IEA Accounts - any contract volumes for these are reported but not otherwise used in Settlement.
4. The two mechanisms described above are being used to ensure the participant does not suffer from Imbalances (Information or Energy) as a result of the "trip". A cleaner solution would be to adjust the notified and contractual position using the mechanism proposed in P34, P71 and P36Alt where the adjustment volume would be included in QAS. To facilitate this, either the BSAD statement would need to include failures as ancillary services (it may do anyway) or a flag added to the flow as part of development of the solution which would indicate whether the volume was ancillary service of compensation adjustment. At this stage the modifications are awaiting Authority Determination and so this solution is not available, that solution could only be used if one of P34/P36A/P71 were approved as P80/P87 do not justify development effort.

Testing

The new procedures would be tested using a test system to confirm that the requested updates could be entered as defined.

ANNEX 3 TRANSMISSION COMPANY IMPACT ASSESSMENT

Modification Proposal P80 and P87 seek to change the current compensation arrangements for system faults and certain generation operational intertrips, respectively. System faults and intertrips are rare, therefore no changes to the BSC Central Systems are proposed. The potential solutions seek to manually remove a participant's imbalance by changing Settlement data, either via (i) Bid Offer Acceptances (BOAs) or (ii) Account Bilateral Contract Volume (QABC) notifications. Please state the impact on the Transmission Company to develop processes to carry out these manual corrections. It is assumed that manual changes using BOAs could take place via a similar mechanism to WO18, and changes using QABC could follow a similar procedure to ECVAA System Failure. Any corrections to Settlement that can be carried out via ex-ante actions will be undertaken when possible to minimise ex-post actions. An "Extra Cashflow" may also be required to further compensate parties for intertrips of system faults and this would be paid by the Transmission Company and recouped through BSUoS charges.

Correction to Settlement		Impact on the Transmission Company
Ex-post for BMWP	BOA	It would be our preference for any correction to be done ex-post as this could be done outside Control room timescales and would avoid placing additional pressures on Control during a system incident.
Ex-post for BMWP	QABC	It would be our preference for any correction to be done ex-post as this could be done outside Control room timescales and would avoid placing additional pressures on Control during a system incident.
Ex-ante outside BMWP	BOA	It would be possible to carry out Ex-ante BOA correction within Control room timescales although the mechanism would be cumbersome as it would involve a procedure to accept BOAs throughout the required timescales. Therefore, should we be required to carry out BOA acceptance outside the BM we would prefer this to be carried out Ex-post.
Ex-ante outside BMWP	QABC	Currently we do not carry out procedures of this nature within control room timescales so this would prove to be difficult to implement.

What are your views on the implementation of an "Extra Cashflow" and whether this should be defined inside or outside of the BSC?	As discussed in the consultation responses, we believe that any extra cashflow should be defined outside the BSC and our preferred route for extra cashflow would be via a Balancing Services contract. We are not sure how an extra cashflow that has been defined under the BSC could be administered as this would not align with our current methods for payments via BSUoS.
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Do you have any further comments on the implementation for P80 and P87?

As we believe that any changes implemented due to these modifications would be as an interim solution prior to Transmission Access we do not believe that any change should involve major system changes and should be effected via a manual work around.
We would require a minimum of 1 month lead time to put any procedures and processes in place.