



August 2002

MODIFICATION REPORT
MODIFICATION PROPOSAL P92 –
Replacement Energy Contract
Volume Notifications (ECVNs) and
Metered Volume Reallocation
Notifications (MVRNs)

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

Document Reference	P92RR
Version no.	0.5
Issue	Draft
Date of Issue	15 August 2002
Reason for Issue	For Review
Author	ELEXON Limited

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1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal and the resultant findings of this report, the Balancing and Settlement Code Panel ('the Panel') recommends that:

The Proposed Modification, P92, be approved with an Implementation Date of:

- **30 September 2002 if an Authority determination is made on or prior to 9 September 2002; or**
- **15 Working Days after such Authority determination if that determination is made after 9 September 2002.**

1.2 Background

Modification Proposal P92 'Replacement Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MVRNs)', was submitted on 8 July 2002 on behalf of the Panel. The modification was raised following consideration of paper 47/009 at the Panel meeting on 13 June 2002 which set out two issues. First, the apparent confusion amongst some participants about the interpretation of Sections P 2.3.5 and P 3.3.5 of the Code which has given rise to queries as to whether a notification¹ must be "in force" before it can be replaced by a second notification. This interpretation is different from that supported by the Energy Contract Volume Aggregation Agent (ECVAA) systems (and which is also widely accepted by market participants), which is that a first notification may be replaced by a second notification before the "effective from" date is reached and would be restrictive on business operations. Second, to add more rigour to the definition that a notification will be "in force" (subject to not missing Gate Closure and to credit status) for *all* Settlement Periods of the "effective date" specified in the notification (and hence will replace any previously submitted notification that it is intended to replace) rather than from the first Settlement Period for which data is explicitly stated.

1.3 Rationale for Recommendations

The Panel agreed, subject to the results of the consultation on the Modification Report, that P92 better facilitates the achievement of the Applicable BSC Objectives as set out in Condition C3.3 (d) of the Transmission Licence, as follows:

"Promoting efficiency in the implementation and administration of the balancing and settlement arrangements."

Since implementing the proposed changes will provide a precise definition of when a notification is in force and add more rigour to the Section of the Code that has led to queries being received regarding when a notification can be replaced.

¹ A notification can be either an ECVN or a MVRN

2 INTRODUCTION

This Report has been prepared by ELEXON Ltd., on behalf of the Panel, in accordance with the terms of the Code. The Code 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 Code.

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

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

3 HISTORY OF PROPOSED MODIFICATION

In response to a number of queries that were received by ELEXON regarding replacement notifications, ELEXON presented a paper (Panel 47/009) (reference 2) to the Panel on 13 June 2002 recommending a Modification Proposal be raised in accordance with Section F 2.1.1 of the Code. P92 was submitted on behalf of the Panel on 8 July 2002.

The Panel considered P92 and the Initial Assessment (reference 1) on 18 July 2002. The Panel agreed that P92 should be submitted directly to the Report Phase and be considered at the Panel Meeting on 15 August 2002.

A draft Modification Report was issued for consultation on 25 July 2002 with responses due back by 1 August 2002. Out of the 11 responses (41 Parties) received, 9 of the responses (38 Parties) supported the recommendations of the Panel, with the remaining 2 responses (3 Parties) registering 'no comment'. One of the Parties who supported the Proposed Modification expressed concerns about the proposed legal text and suggested additional wording would be of benefit (see Section 7). On the basis of the support for P92 the Panel recommends to the Authority that the Modification Proposal as set out in this report be made.

4 DESCRIPTION OF PROPOSED MODIFICATION

P92 seeks to provide more rigour to Section P of the Code. Paragraphs 2.3.5 and 3.3.5 of Section P detail how a replacement notification supersedes an existing notification, but includes the condition that the notification to be replaced remains "in force". It is proposed that these paragraphs be amended to remove this condition.

The current drafting has resulted in a number of queries being raised as to whether an initial notification must be "in force" before it can be replaced by a second notification. The consequence of such an interpretation would be that it might not be possible to replace a notification until Gate Closure for Settlement Periods affected by the first notification had passed. Such an interpretation is not consistent with the operation of the ECVAA systems, and the interpretation widely accepted by BSC Parties, and is restrictive on business operations, as it could lead to a Party incurring imbalance charges before the replacement notification takes effect.

During the course of drafting the legal text it was identified that P92 should also seek to provide more rigour to the use of the term "in force" in the context of replacement notifications covered in Paragraphs 2.3.5 and 3.3.5 of Section P. This required a further change to Paragraph 1.3.2 of Section P to specify that a notification is "in force" from the first Settlement Period of the "effective from" date,

subject to Gate Closure not having passed, until the last Settlement Period of the last Settlement Day for which a date is specified² or until replaced.

5 RATIONALE FOR PANEL RECOMMENDATIONS

The rationale for making a provisional recommendation that the modification should be made is that implementing P92 will ensure that the Code reflects actual working practice in relation to the replacement of notifications and in addition removes ambiguity, which has led to a number of queries being raised; thereby better facilitating achievement of the Applicable BSC Objective (d). As there will be no supporting system changes associated with the implementation of P92 a timescale of 15 Working Days is required between the Authority determination and implementation. For good working practise it would be expedient to tie the implementation date of P92 in with the next BSC Systems release date, which is 30 September 2002.

6 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION

P92 requires minor changes to Section P of the Code. The changes to the legal text of the Code are based on version 5.0 of Section P. If the baseline of the Code changes prior to implementation of P92, or if other Modification Proposals are to be implemented at the same time as P92, the legal text may need to be amended to realign to the new baseline.

A summary of the changes is given below and a detailed red-lined version is contained within Annex 2.

Section P 2.3.5 and 3.3.5 will be amended to remove the condition that an existing notification must be "in force" before it can be replaced.

Section P 1.3.2 will be amended to provide more rigour to the definition of the term "in force".

7 SUMMARY OF REPRESENTATIONS

The draft Modification Report was sent out for consultation on the 25 July 2002, with responses due back by the close of business on 1 August. 11 responses (41 Parties) were received. These responses are contained in Annex 1 and summarised below:

9 of the responses (38 Parties) supported the Panel's recommendation that the Proposed Modification should be made. The remaining 2 responses (3 Parties) registered 'no comment' in relation to the Panel's recommendation on P92.

One of the respondents, who supported the intention of P92, had concerns about the proposed legal text. The respondent wanted the text to clarify the point that if a first notification had no "effective to" date, or had an "effective to" date which was after the "effective to" date of the replacement notification, then the first notification would not come back "in force" after the replacement notification ceased to be "in force".

ELEXON believe that this point is sufficiently covered by the proposed legal text as the second notification replaces, rather than overwrites a first notification. ELEXON's legal advisors have endorsed this view and consequently no amendment to the legal drafting is proposed.

² If no end date is specified for the notification, it will be deemed to be 'evergreen' and be valid for all Settlement Periods until a replacement is submitted.

ANNEX 1 – REPRESENTATIONS

Responses from P92 Draft Report Consultation

Consultation issued 25 July 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented	Support for Proposed Modification?
1.	TXU Europe	P92_MR_001	21	Yes
2.	Powergen	P92_MR_002	1	Yes
3.	National Grid	P92_MR_003	1	Yes
4.	British Gas Trading	P92_MR_004	1	Yes
5.	SEEBOARD	P92_MR_005	1	Yes
6.	Scottish Power	P92_MR_006	5	Yes
7.	British Energy	P92_MR_007	3	Yes
8.	Scottish and Southern	P92_MR_008	4	Yes
9.	YEDL/NEDL	P92_MR_009	2	No Comment
10.	LE Group	P92_MR_010	1	Yes
11.	Aquila Networks	P92_MR_011	1	No Comment

P92_MR_001 – TXU Europe

Thank you for the opportunity to comment on the above proposal. The following response is on behalf of all TXU Europe companies.

TXU supports the changes outlined in the P92 draft modification report as they represent a sensible clarification of BSC drafting to reflect current practise.

Yours faithfully

Nicola Roberts
Market Development Analyst
TXU Europe Energy Trading Ltd

P92_MR_002 – Powergen

Powergen Comments on Modification Proposal 92 - Replacement Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MVRNs).

Powergen UK plc ('Powergen') welcomes the opportunity to comment on the above consultation document published on 6th March 2002. Powergen provides this response on behalf of itself and the following Parties: Powergen Retail Ltd, Diamond Power Generation Limited and Cottam Development Centre Limited.

Powergen supports the Proposal as we believe that it reflects the original intention and the way that parties are currently working, and that the existing phrasing describes an unworkable arrangement.

Yours Sincerely,

Tim Johnson
Energy Trading
Powergen

P92_MR_003 – National Grid

We agree with the proposed changes outlined in the Modification Report P92 - Replacement Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MVRNs).

Clare Talbot
National Grid

P92_MR_004 – British Gas Trading

Modification Proposal 92: Replacement Energy Contract Volume Notifications (ECVNs) and Meter Volume Reallocation Notifications (MVRNs)

Thank you for the opportunity of responding to this consultation. British Gas Trading Ltd (BGT) support this proposed change to the BSC as better facilitating Applicable BSC Objective d: *promoting efficiency in the implementation and administration of the balancing and settlement arrangements*. The proposal will add clarity to the current drafting and bring it into line with the working interpretation used by industry participants and the ECVAA systems.

Yours faithfully

Danielle Lane
Transportation Analyst

P92_MR_005 – SEEBOARD

With regard to draft modification report dated 25th July on P92 (Replacement Energy Contract Volume Notifications (ECVNs) And Metered Volume Reallocation Notifications (MVRNs)). We agree with recommendations in section 1.1 of this report as it removes possible confusion within BSC.

Dave Morton
SEEBOARD Energy Limited

P92_MR_006 – Scottish Power

P92 Draft Modification Report Comments:

With reference to the above, we offer our support to P92: Replacement Energy Contract Volume Notifications (ECVNs) and Metered Volume Reallocation Notifications (MVRNs).

We agree that P92 reflects the actual working practice and removes ambiguity, which has led to a number of queries being raised; thereby better facilitating achievement of the Applicable BSC Objective (d).

We have considered the legal drafting provided and agree that it is appropriate.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Yours Sincerely,

Man Kwong Liu
Calanais Ltd.

For and on behalf of: - *Scottish Power UK Plc.; Scottish Power Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.*

P92_MR_007 – British Energy

British Energy supports this modification proposed by Elexon which is intended to clarify the BSC provision within Section P regarding how changes/corrections to previously notified Energy Contract Volume Notifications (ECVN's) and Metered Volume Reallocation Notifications (MVRN's) can be made. It better achieves the BSC Objectives by reducing the scope for misunderstanding of the BSC, thus promoting efficiency. In our view this clarification simply confirms the position that most parties already take for granted. We feel there may be some benefit in adding to the legal text a comment "for the avoidance of doubt" that those parts of a first notification which are after the end date of an over-writing second notification are effectively "lost".

Rachel Ace

On behalf of

British Energy Power and Energy Trading
British Energy Generation Ltd
Eggborough Power Ltd

In response to a request by ELEXON to clarify their initial response, British Energy replied with the following email:

"You spoke to Rachel earlier today about our response to the recent P92 consultation. We suggested in our response that it would be useful to add text to the proposed BSC section P2.3.5/3.3.5 to re-enforce, for the avoidance of doubt, the message that any part of the period covered by the first notification which is after the start of the second, "overwriting", notification is lost, even if the second notification does not extend as far into the future as the first. Although in my view the proposed drafting is clear that this is the case, there is an inconsistency in that the first notification remains in effect for periods prior to the start of the second notification, but not for periods after the end of the second. I'm sure most parties are familiar with this, but I do not want any party to face large imbalance exposure simply because this important inconsistency was missed. Although confirmation could be hidden away in a code subsidiary document, I see no reason why it should not be put in section P of the BSC.

For example, P2.3.5(a) & P3.3.5(a) could say:

".... the first notification shall cease to be in force with effect from (and shall not be in force for) the first Settlement Period for which the second notification is in force in accordance with paragraph 1.3.2 and, for the avoidance of doubt, this cessation shall include any period of the first notification which is later than the last period of the second notification;"

Martin Mate
British Energy"

P92_MR_008 – Scottish and Southern Energy

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

Further to your note of 25th July 2002, and the associated Modification Report for P92, we agree with the proposed BSC Panel recommendation to the Authority that this Modification Proposal P92 should be made.

If the Modification Proposal P92 is approved, we agree with the proposed BSC Panel recommendation on the timing for the Implementation Date, as outlined in Section 1.1 of the Modification Report.

Regards

Garth Graham
Scottish & Southern Energy plc

P92_MR_009 – YEDL/NEDL

Please note that there is 'No Comment' regarding P92 for both NEDL and YEDL

Sue Calvert
Distribution Change
System Investment

P92_MR_010 – LE Group

P92

LE Group support the recommendation to implement this modification. The clarification of ECVN and MVRN replacement fulfils BSC applicable objective (d) by eliminating the ambiguity that currently exists in BSC section P.

P92_MR_011 – Aquila Networks

Please find that Aquila Networks Plc response to P92 Consultation on draft Modification Report is 'No Comment'.

regards
Rachael Gardener

Deregulation Control Group &
Distribution Support Office
AQUILA NETWORKS

ANNEX 2 – LEGAL TEXT

See attached document (P92RR Legal Text Final v1).