

Modification Proposal P98 'Dual Notification of Contract Positions' – Initial Assessment Consultation

Overview

Modification Proposal P98 'Dual Notification of Contract Positions' (P98) was raised by Dynegy UK Limited on 2 September 2002. P98 seeks to introduce a (voluntary) dual notification system within the BSC systems. It should be noted that P98 seeks to address the issues that were identified under Modification Proposal P4 'Dual Energy Contract Notification' (P4) (raised in March 2001). P98 also seeks to utilise the definition and assessment work undertaken under P4, to provide a solution based upon the P4 Requirements Specification (014AAR V1.0).

The Panel, at their meeting of 12 September 2002, agreed to submit Modification Proposal P98 to the Assessment Procedure, with the Assessment Report to be submitted for consideration at the Panel meeting of 12 December 2002. They also agreed that an initial consultation should be undertaken to determine the likely take up of the voluntary dual notification system, with an interim report to be submitted for consideration at the Panel meeting of 17 October 2002. The purpose of this consultation paper is to fulfil the Panel's direction by seeking Party views on whether or not they would use dual notification if it were available along side single notification in the BSC Systems.

The Initial Written Assessment (IWA) of P98 is attached for information. The IWA contains a copy of the Modification Proposal, which provides the rationale of the Proposer for implementing dual notification, and is therefore a key consideration when responding to this consultation.

Dual Notification of Contract Positions

In summary, the dual notification process, (as defined for P4), would require the Balancing and Settlement Code to be amended such that:

- The dual notification system would be defined and provided as a BSC System¹;
- Each Party notifies their agreed contract volumes and only valid matched notifications would result in a contract volume being successfully notified for use in Settlements;
- Any non-matching notifications will automatically be rejected and the BSC Agent will notify both Parties of their failure to complete a valid Volume Notification;
- The BSC Agent will be responsible for notifying each Party of the acceptance of matching Volume Notifications;
- Where the two Parties are notified that their Volume Notifications do not match, it is the responsibility of those two Parties to then resolve their positions, correct any errors and re-notify contract volumes.

The impact assessment received from the BSC Central Service Agent in July 2001 indicated that the cost of implementing dual notification would be approximately £770,000². As the impact assessment

¹ Noting that currently available commercial dual notification systems are not BSC systems, and are therefore potentially subject to the issues identified by the Proposer in the P98 Modification Proposal, namely the potential for erroneous / incorrect notifications to be made, requiring bilateral resolution outside of the BSC.

² The costs are included in the Modification Report that can be found on the BSC Website, as follows:
http://www.elexon.co.uk/ta/modifications/modsprops/hP004/P4_Report_Final.pdf

was undertaken over a year ago, the cost of implementation is likely to have changed. However, these costs are provided as an indication of the likely size of implementation and development.

Additionally, the consequences of, and processes required to support failure of the dual notification system were not considered in any detail as part of Modification Proposal P4. Therefore, this was not taken into consideration by the BSC Central Service Agent in their impact assessment. A definition of a robust failure system and consideration of any associated issues will be undertaken during the assessment of P98.

Consultation

In accordance with the Panel's directive, the Settlement Standing Modification Group (SSMG) has identified a set of questions that will enable the determination of the likely take up of dual notification, for reporting back to the Panel meeting of 17 October 2002.

The SSMG also identified a set of questions aimed at obtaining information from BSC Parties relevant to the consideration and assessment of Modification Proposal P98. BSC Parties are requested to provide as much detail in the responses as is possible, as the SSMG believe that these questions address the key issues associated with Modification Proposal P98, and therefore comprehensive responses will be valuable for the ongoing assessment of P98.

BSC Party Consultation Questions

Please provide responses to these consultation questions using the proforma provided.

The Settlement Standing Modification Group acknowledged that responses to certain of these questions may be commercially sensitive. Therefore, please note that questions 8 to 10 can be answered confidentially to ELEXON on the attached proforma,

Please provide responses to modifications@elexon.co.uk by 17:00 on Tuesday 8 October 2002.

BSC Parties responding on behalf of (please list all Parties):

Question	Response
Q1. Do you support the principle of P98, namely to introduce a voluntary dual notification system within the BSC systems?	YES / NO Rationale:
Q2. P98 proposes that the dual notification system is voluntary, and Parties would still be able to use the single notification system. Should P98 be introduced, would you use the dual notification system?	YES / NO Rationale:
Q3. With the currently available information, do you believe that P98 will increase the efficiency of the market by reducing the risks associated with trading?	YES / NO Rationale:
Q4. If you answered yes to Question 2, would you still deal with Parties preferring single notification?	YES / NO Rationale:
Q5. Is the dual notification mechanism relevant to Metered Volume Reallocation Notifications (MVRNs)? If so, why? If not, why not?	YES / NO Rationale:
Q6. In your opinion, is there any potential risk in having two differing mechanisms for notifying contract volumes, i.e. both single and dual notification?	YES / NO Rationale:
Q7. Dual notification is available commercially in the market. Do you use these services? If so, why? If not, why not?	YES / NO Rationale:
Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?	Rationale:

Question	Response
<p>Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?</p>	<p>Rationale:</p>
<p>Q10. How much, approximately, has this cost?</p>	<p>Rationale:</p>
<p>Q11. Do you think that dual notification would mitigate, or assist in mitigating, the effects of BSC Party failure?</p>	<p>Rationale:</p>
<p>Q12. Would the implementation of enhanced ECVAA reporting (CP755 - the Acceptance Feedback Report) have changed your response to any of the above questions?</p>	<p>Rationale:</p>
<p>Any further comments:</p>	

RESPONSE CONFIDENTIAL TO ELEXON

Confidential BSC Party Consultation Questions

Please provide responses to these consultation questions using the proforma provided.

The responses to these questions are provided in confidence for use by ELEXON only.

Please provide responses to modifications@elexon.co.uk by 17:00 on Tuesday 8 October 2002.

Question	Confidential Response
Q8. What is your perception of the risk levels associated with erroneous notification, and the potential for erroneous notifications to be made against you?	Rationale:
Q9. In the last six months, how many erroneous notifications have been made, where you have been a counterparty to the notification?	Rationale:
Q10. How much, approximately, has this cost?	Rationale:
Any further comments:	