

Stage 04: Final Modification Report

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

P239: Correcting manifest errors and modifying an interface in the P217 legal text

P239 would:

- Correct manifest errors related to the P217 legal text and BSC Section T; and
- Modify the Code description of the disaggregated Balancing Service Adjustment Data interface between the Transmission Company and the BSC Systems



The Panel recommends

Approval of the Proposed Modification



Low Impact:

P239 will not impact any Parties as it seeks to clarify the legal text

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Any questions?

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About this document:

This document is a Final Modification Report, which ELEXON has submitted to the Authority on the Panel's behalf. The Authority will decide whether or not it agrees with the Panel's recommendations in this report, and will issue a decision letter to either approve or reject the change.

This document contains a summary of the industry responses to the Report Phase Consultation. You can download the full individual responses from ELEXON's website [here](#).

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Why Change?

ELEXON has identified a number of manifest errors in the P217 'Revised Tagging Process and Calculation of Cash Out Prices' legal text and BSC Section T 'Settlement and Trading Charges'.

In addition, ELEXON has identified an inconsistency between the description of a new Balancing Services Adjustment Data (BSAD) interface in the approved P217 legal text and the implementation solution of the Transmission Company Systems and the BSC Systems. ELEXON and the Transmission Company can confirm this inconsistency does not impact the calculation of the main Energy Imbalance Price and only affects the Transmission Company and BSC Systems.

A Modification Proposal is required to correct the identified manifest errors and ensure the BSC description of the interface is consistent with the implementation solution.

Solution

P239 will:

- Correct the identified manifest errors related to the P217 legal text and BSC Section T; and
- Modify the disaggregated BSAD interface definition between the Transmission Company systems and the BSC Systems so that the Code reflects the implementation solution.

Impacts & Costs

Implementing P239 will require ELEXON to update the Code.

This is a one-off activity which will involve 2 man days of ELEXON effort equating to £440.

Implementation

P239 will have an implementation date of:

- **05 November 2009** if the Authority makes a decision on or before 04 November 2009; or
- **1 Working Day following an Authority decision** if made after 04 November 2009.

The Case for Change

Correcting the manifest errors will reduce the potential for confusion in the BSC, so promoting transparency and efficiency.

Modifying the BSAD interface will not impact the main Energy Imbalance Price, and will ensure the BSC and the BSC Systems are consistent, whilst not incurring additional systems implementation costs and risking the P217 implementation date.

Recommendations

The Panel unanimously recommends that P239 **should be** made.



What is a manifest error?

A 'manifest error' is an obvious mistake in the Code. The mistake could be an incorrect cross-reference, a typo, or a paragraph that incorrectly describes the intent of a Code process.

Background

P217 was approved in October 2008 and is due for implementation on 5 November 2009. The modification amends the imbalance pricing tagging rules to make the main Energy Imbalance Price more reflective of the short term energy balancing costs incurred by the Transmission Company.

During the implementation of P217 there have been two instances where ELEXON has identified manifest errors with the P217 legal text. Following the first instance a review of the P217 legal text was undertaken and the result was the P234 'Housekeeping Modification – Correction of manifest errors in P217 Legal Text' which the Panel raised. The Authority approved P234 for implementation on 19 May 2009.

ELEXON regrets that a further manifest error was identified following the progression of P234. To identify whether other manifest errors existed ELEXON commissioned two separate internal technical reviews and a high level internal legal overview of the P217 legal text and BSC Section T 'Settlement and Trading Charges'.

These reviews:

- confirmed the initial manifest error – incorrect imbalance pricing default rule;
- identified additional manifest errors related to P217 and BSC Section T; and
- identified a clarification that is required to the description of the interface between the Transmission Company systems and the BSC Systems

The initial manifest error – incorrect imbalance pricing default rule

Part of the P217 legal text (specifically Section T, paragraph 4.4.3 (b)(ii)) incorrectly altered the rule that System Buy Price (SBP) cannot be lower than System Sell Price (SSP) when the transmission system is short and the Net Imbalance Volume (NIV) is positive.

The approved legal text drafting states that;

- when NIV is positive, and SSP is **lower** than SBP, the SSP should be made equal to SBP.

This is incorrect. The correct rule should state that;

- when NIV is positive and SSP is **higher** than SBP, the SSP should be made equal to SBP.

This issue is clearly a manifest error as it was not the intention of P217 to amend the current rules which ensure that SSP can not be higher than SBP. Indeed the P217 Assessment Report stated:

2.1.12.3 System Buy Price cannot be lower than System Sell Price.

No changes are proposed. If the calculation of the SBP (as either the main or the reverse Energy Imbalance Price) would result in a lower price than the calculation of the SSP, then both SBP and SSP would be set equal to the result of the main Energy Imbalance Price calculation.

Furthermore, such a change would go against the dual pricing methodology of the BSC, potentially creating a single cash-out price when NIV is positive.

This error needs to be corrected before P217 is implemented.

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Additional manifest errors

In addition to the error in the SBP/SSP rule, the three reviews identified a number of other manifest errors. These are described in Attachment B.

The inconsistencies are split into:

1. Issues contained in the P217 legal text, these consist of:

- correcting use of terminology;
- adding defined terms into Annex X-2;
- typographical errors; and
- cross referencing errors.

2. Cross references and definitions impacted by the P217 legal text:

This category of changes includes cross referencing errors and redundant definitions. Whilst they are not errors in the current BSC drafting, they will be introduced into the Code as a result of P217 being implemented.

3. Minor inconsistencies in Code sections

These changes are not related to P217, but are related to BSC Section T and were identified as part of the P217 legal text reviews.

Modification of BSAD interface

BSAD is information sent by the Transmission Company to the BSC Systems which reflects balancing actions taken outside of the Balancing Mechanism. The BSC Systems use BSAD in the calculation of the main Energy Imbalance Price.

One of the key P217 changes is that BSAD will be sent to the BSC Systems in a disaggregated form (it is currently sent as 8 aggregated variables). The P217 legal text specifies that the new disaggregated BSAD files should be sent with the following data items (units in brackets):

- Balancing Services Adjustment Price (£/MWh);
- Balancing Services Adjustment Volume (MWh); and
- System Operator Flag.

However, as part of the implementation of P217, ELEXON and the Transmission Company have developed their systems so that the Transmission Company will send the 'Balancing Services Adjustment Cost' (with units of £) rather than the 'Balancing Services Adjustment Price'.

The Price itself would actually be calculated by the BSC Systems by dividing the Cost by the Volume:

$$Price(\text{£} / \text{MWh}) = \frac{Cost(\text{£})}{Volume(\text{MWh})}$$

This approach is consistent with the current treatment of BSAD, where the BSC Systems calculate prices from costs and volumes sent by the Transmission Company. This solution would result in the correct value being fed into Settlement, except it is calculated at the point of BSC Systems as opposed to the Transmission Company systems. However it is inconsistent with the P217 drafting, which defines 'Balancing Services Adjustment Price' as being a value provided by the Transmission Company.



What is a BSAD?

The Transmission Company sends Balancing Services Adjustment Data to the BSC Systems for each Settlement Period. BSAD reflects the balancing actions that the Transmission Company has accepted which are outside the Balancing Mechanism. (i.e. not Bids and Offers)

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Why are we not proposing to align the systems to the Code?

ELEXON considered two potential solutions:

- Align the Transmission Company and BSC Systems with the Code so that they send and receive the Balancing Services Adjustment Price; or
- Modify the P217 legal text to state that the Transmission Company will send the Balancing Services Adjustment Cost, and the BSC systems convert that Cost to a Price.

Transmission Company impacts from making system changes

The Transmission Company assessed the impact of making the systems change. They found there would be an additional implementation cost of £25,000 to £30,000. These costs arise as the Transmission Company would need to redo some of the development and testing work which it has already completed. Each additional day of implementation would add further cost as more work would need to be redone.

More importantly, the Transmission Company has identified a very high probability that implementing a change from Cost to Price at this late stage would represent a significant risk to the planned implementation date of 5th November 2009.

The issue is that the Transmission Company Balancing Mechanism (BM) system has a full change programme from now through to the end of the year consisting of:

- P217 changes;
- Hardware Upgrade – This is a key release to re-enforce BM system availability, supportability and reliability for the short to medium term; and
- Clock Change testing – A key Bi-Annual activity.

This limits the period of time that P217 change can be developed, tested and implemented. Hence, any additional development and testing would be very difficult to accommodate.

In addition the Transmission Company has planned to implement the P217 solution earlier than the implementation date in order to give control room staff the opportunity to practice flagging (identifying) transmission constraints. Any additional development would reduce this practice time.

BSC Systems and ELEXON impacts from making system changes

There would be an additional implementation cost of approximately £10,000 to amend the BSC Systems and Trading Operations Market Analysis System (TOMAS). As with the Transmission Company Systems, the costs arise as completed development work would need to be redone. Changes would also be required to TOMAS, as it receives BSAD from the Transmission Company in order to replicate and check the imbalance price calculation and price outputs of the BSC Systems.

Would there be any impact on the main Energy Imbalance Price or BSC Parties?

ELEXON contacted the Transmission Company and the P217 Modification Group in order to confirm there would be no impact on the main Energy Imbalance Price from the BSC Systems receiving a Cost and converting it to a Price.

The Transmission Company stated:

“There will be no end difference in the effect on cash out prices. The choice is only around whether National Grid performs the calculation of Cost/Volume to derive the Price or whether ELEXON performs this calculation. In other words the Price will not change regardless of who performs the calculation. A modification to change the obligation to provide a Cost value is National Grid’s preference as altering the IS solution at this stage will place greater risk of not meeting the implementation date.”

The Transmission Company also noted an unrelated feature of the disaggregated BSAD solution which it wanted to highlight to the P217 Modification Group:

“There is one circumstance when National Grid will be providing a ‘netted’ volume through BSAD. National Grid will be documenting this within the BSAD Methodology Statement before the P217 implementation date. This circumstance has no bearing on whether National Grid supply Cost as opposed to Price.

The circumstance is when there are more than one System Operator to System Operator transaction within a single half hour period for a single interconnector. In such cases, these services will be provided as a single Balancing Service Adjustment Action and consequently, the volumes and prices for these services will be aggregated. This reflects the contractual arrangements National Grid have with the interconnected Transmission System Operators and therefore meets the principle of cash out reflecting the System Operator costs.”

All but one of the P217 Modification Group members were happy with the proposed solution.

One member was concerned that changing the interface from the Price to the Cost could make it easier for the Transmission Company to aggregate BSAD, potentially masking the price of individual actions. The member also questioned how aggregated BSAD (described above) might interact with the imbalance price calculation. In particular, with a situation where two aggregated volumes (potentially with opposite signs) produce either a very small or zero volume.

ELEXON and the Transmission Company investigated these concerns. The question of aggregated BSAD is not an issue for this Modification. Whether the Transmission Company sends a Price or Cost does not have a bearing on the aggregation of BSAD. Instead, it relates to the Transmission Company’s approach for BSAD which is defined in the BSAD Methodology Statement. This will shortly be issued for industry consultation.

Regarding concerns about zero volume BSAD actions, National Grid stated that it would not be sending the BSC Systems a BSAD Cost with a zero Volume. And if, somehow, that were to occur then the BSC Systems have processes in place to correctly process such an action so that it does not enter the imbalance pricing calculation (e.g. De Minimis tagging). On that basis the member agreed their concerns were material.

Conclusion

ELEXON can confirm there would be no impact on the main Energy Imbalance Price from the BSC Systems receiving a Cost and converting it to a Price. There is essentially no difference between sending a ‘Volume’ and a ‘Cost’ or a ‘Volume and a ‘Price’. They are two different ways of sending the same information. The Transmission Company and the P217 Modification Group agree with this view.

There would be no impact on the transparency of disaggregated BSAD. The BSC Systems would publish both the ‘Cost’ and the derived ‘Price’ on the Balancing Mechanism Reporting Service (BMRS).

There would also be no impact on BSC Parties, as the interface only affects the Transmission Company and the BSC Systems. Therefore, the pragmatic solution is to clarify the interface in the Code. This avoids the risk of missing the implementation date, does not incur additional development cost, and would have no impact on the main Energy Imbalance Price or BSC Parties.

Why did the Panel raise this Modification Proposal?

The Panel can raise Modification Proposals under provisions set out in BSC Section F2.1.1(d).

Manifest Errors

Under BSC Section F2.1.1 (d) (iv), BSCCo can recommend a Modification Proposal to the Panel to

“rectify manifest errors in or to correct minor inconsistencies (or make other minor consequential changes) to the Code”

These are commonly called ‘housekeeping modifications’. The Panel raised the manifest errors section of P239 on the basis of this paragraph.

BSAD interface clarification

The BSAD interface clarification is not a ‘housekeeping’ change and so it was raised on the basis of a different provision in BSC Section F.

Under BSC Section F2.1.1 (d) (iii), BSCCo can recommend a Modification Proposal to the Panel

“where BSCCo becomes aware of a change in circumstances, since approval of a Proposed Modification, which would make the implementation of that Approved Modification impossible or significantly more costly than anticipated at the time such Modification was approved or no longer relevant”

Amending the BSC and Transmission Company systems so that the interface is consistent with the approved legal text will introduce additional cost and a significant risk to the implementation date of 5 November 2009. Hence, the Panel raised the BSAD interface clarification section of P239 on the basis of this paragraph.

3 Solution

The solution is to amend the approved P217 legal text to:

- Correct the manifest errors; and
- Modify the disaggregated BSAD interface.

Attachment A contains the detailed list of the manifest errors and ELEXON's explanation as to why they are manifest.

Legal text

Attachment B contains the proposed amendments to the Code (the ‘Legal text’).

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4 Impacts & Costs

Implementing P239 will require us to:

- Update the Code.

This is a one-off activity which will involve 2 man days of ELEXON effort equating to £440.

Approval of P239 has **no impact** on any systems or processes. However, rejection could result in changes to Transmission Company and BSC Systems, in addition to the issue that the implemented solution does not align with the Code.

5 Implementation

P239 will have an implementation date of:

- **05 November 2009** if the Authority make a decision **on or before 04 November 2009**; or
- **1 Working Day following** an Authority decision if made **after 04 November 2009**.

6 The Case for Change

Manifest Errors

ELEXON believes the Modification Proposal would reduce the potential for confusion in the BSC, so promoting transparency and efficiency. Therefore we believe it better facilitates the achievement of **Applicable BSC Objective (d)** 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements'.

BSAD Interface clarification

The Panel believes clarifying the Code description of the disaggregated BSAD interface between the Transmission Company and the BSC Systems is the pragmatic approach to this issue.

The benefits of amending the BSAD interface description in the Code are:

- A consistent Code and systems approach;
- No additional systems implementation cost;
- No risk to the implementation date of 5th November; and
- No impact on the main Energy Imbalance Price.

On that basis, the Panel believes the Modification Proposal would promote efficiency in the implementation of the balancing and settlement arrangements and thereby better facilitates the achievement of **Applicable BSC Objective (d)** 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements'.

What were the Panel's initial views?

The Panel **unanimously** agreed that the Proposed Modification better facilitates the achievement of **Applicable BSC Objective (d)** when compared with the existing Code drafting as it would promote efficiency in the implementation of the balancing and settlement arrangements.

The Panel noted that only self evident Modifications should be progressed straight from an Initial Written Assessment into the Report Phase. It was unanimously agreed that P239 was a self evident change and should therefore follow the applicable process.

8 Report Phase Consultation Responses

Following the initial Panel discussions ELEXON issued a Report Phase consultation. This consultation provides an opportunity for the industry to comment upon the Panel's initial recommendations.

This table summarises the Report Phase Consultation responses.

	Question	Responses
1	Do you agree with the Panel's view that the Proposed Modification should be approved ?	3 Yes - Unanimous 0 No
2	Do you agree with the Panel's suggested Implementation Date?	3 Yes - Unanimous 0 No
3	Do you agree that the legal text delivers the intention of P239?	3 Yes - Unanimous 0 No
4	Do you have any further comments on P239?	0 Yes 3 No

The full responses are not contained as an attachment to this report. However, you can download the full individual responses [here](#).

One person provided informal comments but did not respond to the consultation. The comments received noted that whilst they supported the Modification, they noted disappointment that such a Modification was necessary and hoped lessons would be learnt for future implementations.

Unanimous Industry Support

Respondents unanimously agree with the Panel initial recommendations that:

- That Proposed Modification P239 **should** be made;
- With an Implementation date of **05 November 2009** if the Authority makes a decision on or before 04 November 2009. Or **1 Working Day** following an Authority decision if made after 04 November 2009.

No new arguments were raised by respondents.



What are consultation respondents' views?

Respondents unanimously recommend approval of the Proposed Modification.

Updated Legal Text

During the Report Phase consultation a Party reviewed the legal text and sent ELEXON the following comments (a few broader comments were discussed but it was agreed that these were out of scope for P239):

- In section Q6.3.2A, there are superfluous "and"s between "Balancing Services" that should be removed;
- The definition of 'Price Average Reference Volume' in Annex X-2 should refer to "volume" rather than "price";
- The definitions of 'Period BM Unit Total Accepted Bid Volume' and 'Period BM Unit Total Accepted Offer Volume' should not be deleted from Annex X-2. The definitions for deletion should be 'Period BM Unit Total Priced Accepted Bid Volume' and 'Period BM Unit Total Priced Accepted Offer Volume'.

The Legal Text has been updated to reflect these changes. The final Legal Text is included in this report as Attachment B.

9 Panel's Final Views and Recommendations

What are the Panel's final views?

After reviewing the Report phase consultations the Panel confirmed their initial recommendation to approve the Proposed Modification. They also noted the 3 amendments (described above) identified during the Report phase consultation and agreed that the legal text should be updated accordingly.

The Panel also confirmed an implementation date of 5 November 2009 should the Authority make a decision on or before the 4 November 2009. The Panel noted that for P217 to be implemented as intended, and without error, a decision must be received from the Authority in time to enable P239 to be implemented on 5 November 2009. As such the Panel request that Ofgem use their best endeavours to approve P239 by the 4 November 2009.

Recommendations

The Panel **unanimously** recommends:

- P239 Proposed Modification **should** be made;
- An Implementation Date of **05 November 2009** if the Authority makes a decision on or before 04 November 2009. Or **1 Working Day** following an Authority decision if made after 04 November 2009; and
- The legal text for Proposed Modification (as contained in Attachment B).



Recommendation

The Panel's unanimous recommendation is that the Proposed Modification should be made.

10 Further information

More information is available in:

Attachment A: List of manifest errors and BSAD interface clarification

Attachment B: P239 Proposed Modification Legal Text

Other related documents are available on the [P239 page](#) of the ELEXON website.

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