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| <b>Modification Proposal – BSCP40/03</b>  | MP No: 239<br>(mandatory by BSCCo) |
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| <b>Title of Modification Proposal</b> (mandatory by originator):<br>Correcting manifest errors and modifying an interface in the P217 legal text  |                                    |
| <b>Submission Date</b> (mandatory by originator):<br>9 July 2009  |                                    |
| <p><b>Description of Proposed Modification</b> (mandatory by originator)</p> <p><u>Manifest Errors</u></p> <p>During the implementation of P217 ‘Revised Tagging Process and Calculation of Cash Out Prices’ BSCCo has identified a number of manifest errors in the approved P217 (Alternative) legal text. As a consequence of this, BSCCo further reviewed Section T as a whole and noted a small number of additional manifest errors (all minor).</p> <p>Under BSC Section F2.1.1 (d) (iv), BSCCo can recommend a Modification Proposal to the Panel to rectify manifest errors, to correct minor inconsistencies and/or make other minor consequential changes to the BSC.</p> <p>BSCCo recommends these manifest errors are corrected.</p> <p><u>Interface clarification</u></p> <p>In addition, BSCCo has identified an inconsistency between the description of a new Balancing Services Adjustment Data (BSAD) interface in the approved P217 legal text and the agreed implementation solution of the Transmission Company systems and the BSC Systems. This inconsistency does not impact the calculation of the main Energy Imbalance Price and only affects the allocation of responsibility for the calculation between the BSC and Transmission Company systems.</p> <p>Under BSC Section F2.1.1 (d) (iv), 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.</p> <p>Amending the BSC and Transmission Company systems so that the implementation interface is consistent with the approved legal text will introduce additional cost and a risk to the implementation date of 5 November 2009. Hence, BSCCo recommends the approved legal text is modified to reflect the implementation interface as developed in the systems.</p> <p><b>Summary</b></p> <p>On that basis BSCCo recommends that a modification be made to:</p> <ul style="list-style-type: none"> <li>• correct manifest errors identified in the approved P217 Legal Text; and</li> <li>• modify the BSAD wording to address the interface inconsistency.</li> </ul> |                                    |

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| <p><b>Description of Issue or Defect that Modification Proposal Seeks to Address</b> <i>(mandatory by originator)</i></p> <p>During the implementation of P217 a manifest error related to one of the imbalance pricing default rules was identified in the P217 legal text. It is regrettable that this manifest error was not identified at the time of P234 ‘Housekeeping Modification – Correction of manifest errors in P217 Legal Text’.</p> <p>As a result of identifying this manifest error, ELEXON commissioned two separate internal technical reviews and a high level internal legal overview to establish whether further unidentified manifest errors exist in the P217 legal text. These reviews have:</p> <ul style="list-style-type: none"> <li>• confirmed the initial manifest error – incorrect imbalance pricing default rule;</li> <li>• identified additional manifest errors (mostly relatively minor); and</li> <li>• identified the BSAD issue described above relating to the description of the interface between the Transmission Company and the BSC Systems.</li> </ul> <p><u>Initial manifest error – incorrect imbalance pricing default rule</u></p> <p>P217 is amending the imbalance pricing (cash-out) calculation processes. The changes are designed to make the main Energy Imbalance Price more reflective of the short term energy balancing costs incurred by the Transmission Company.</p> <p>Part of the P217 legal text (specifically Section T, paragraph 4.4.3 (b)(ii)) has 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.</p> <p>The approved legal text currently states that;</p> <ul style="list-style-type: none"> <li>• when NIV is positive, and SSP is <u>lower</u> than SBP, the SSP should be made equal to SBP.</li> </ul> <p>This is incorrect. The correct rule should state that;</p> <ul style="list-style-type: none"> <li>• when NIV is positive and SSP is <u>higher</u> than SBP, the SSP should be made equal to SBP.</li> </ul> <p>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. 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.</p> <p><u>Additional manifest errors</u></p> <p>In addition to the error in the SBP/SSP rule, a number of other manifest errors were identified as part of the reviews. These inconsistencies are described in Attachment B.</p> <p>The inconsistencies fall into the following three categories:</p> <ol style="list-style-type: none"> <li>1) Issues contained in the P217 legal text, these are mainly relatively minor and consist of: <ul style="list-style-type: none"> <li>- correcting use of terminology;</li> <li>- adding P217 defined terms into Annex X-2;</li> <li>- typographical errors; and</li> </ul> </li> </ol> |   |

**Modification Proposal – BSCP40/03**MP No: 239  
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- 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 become incorrect or redundant as a result of P217 being implemented.

## 3) Minor inconsistencies in Section T or in Code sections relating to Section T

This category of changes are not related to the introduction of P217, but were manifest errors identified as part of the P217 legal text reviews which it was felt could be usefully corrected.

BSAD Interface Clarification

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)
- 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:

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

This approach is consistent with the current treatment of BSAD, where prices are calculated by the BSC Systems 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. 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.

This approach is, however, inconsistent with the P217 drafting, which defines 'Balancing Services Adjustment Price' as being a value provided by the Transmission Company.

Amending the BSC and Transmission Company systems so that the interface is consistent with the approved legal text will introduce additional cost and a risk to the implementation date of 5 November

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| <p>2009.</p> <p>The additional costs arise as the Transmission Company would need to redo some of the development and testing work which they have already completed. This is also the case for the BSC Systems and ELEXON's Trading Operations Market Assurance System (TOMAS). And each additional day of completed development/testing would add further cost as more work would need to be redone.</p> <p>More importantly, the Transmission Company 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. This is caused by the full change programme affecting the Balancing Mechanism (BM) system from now through to the end of the year. This limits the period of time that P217 related changes can be developed, tested and implemented. Hence, any additional development and testing would be difficult to accommodate.</p> <p>In addition, 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. The BSC Systems currently convert Costs and Volumes into a Price with aggregated BSAD. There would also 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).</p> <p>ELEXON recommends the interface is modified in the legal text to accord with the way the Transmission Company and BSC Systems have been developed.</p> |   |
| <p><b>Impact on Code</b> <i>(optional by originator)</i></p> <p>The following BSC sections are impacted:</p> <ul style="list-style-type: none"> <li>• Section M</li> <li>• Section Q</li> <li>• Section T</li> <li>• Section V</li> <li>• Section X, Annex X-1</li> <li>• Section X, Annex X-2</li> </ul>   |   |
| <p><b>Impact on Core Industry Documents or System Operator-Transmission Owner Code</b> <i>(optional by originator)</i></p> <p>None</p>  |   |
| <p><b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b> <i>(optional by originator)</i></p> <p>None</p>  |   |

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| <b>Impact on other Configurable Items</b> <i>(optional by originator)</i><br><br>None  |   |
| <b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b><br><i>(mandatory by originator)</i><br><br><u>Manifest errors</u><br><br>By correcting manifest errors this modification would increase clarity and reduce the potential for confusion in the BSC. ELEXON believes the Modification Proposal will promote transparency and efficiency and thereby better facilitates the achievement of Applicable BSC Objective (d) ‘Promoting efficiency in the implementation and administration of the balancing and settlement arrangements’.<br><br><u>Modifying the description of the BSAD interface</u><br><br>Modifying the interface would ensure that P217 is implemented on time without an additional implementation cost. Hence ELEXON believes the Modification Proposal will promote efficiency in the implementation of the balancing and settlement arrangements and thereby better facilitate the achievement of Applicable BSC Objective (d) ‘Promoting efficiency in the implementation and administration of the balancing and settlement arrangements’. |   |
| <b>Urgency Recommended: No</b> <i>(delete as appropriate) (optional by originator)</i>   |   |
| <b>Justification for Urgency Recommendation</b> <i>(mandatory by originator if recommending progression as an Urgent Modification Proposal)</i><br><br>N/A   |   |
| <b>Details of Proposer:</b><br><br><i>Name</i><br><br><i>Organisation.....BSC Panel</i><br><br><i>Telephone Number</i><br><br><i>Email Address</i>   |   |

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| <b>Modification Proposal – BSCP40/03</b>  | MP No: 239<br>(mandatory by BSCCo) |
| <b>Details of Proposer's Representative:</b><br><br><i>Name.....Modification Secretary</i><br><br><i>Organisation.....ELEXON</i><br><br><i>Telephone Number.....020 7380 4337</i><br><br><i>Email address.....chris.rowell@elaxon.co.uk</i> |                                    |
| <b>Details of Representative's Alternate:</b><br><br><i>Name.....Andrew Wright</i><br><br><i>Organisation.....ELEXON</i><br><br><i>Telephone Number.....020 7380 4217</i><br><br><i>Email address.....andrew.wright@elaxon.co.uk.</i>       |                                    |
| <b>Attachments: Yes</b> ( <i>delete as appropriate</i> ) ( <i>mandatory by originator</i> )<br><br><b>P239 Attachment A: List of manifest errors (29 pages)</b><br><b>P239 Attachment B: P239 Proposed Draft Legal Text (24 pages)</b>      |                                    |