

MODIFICATION REPORT for Modification Proposal P175

'Development of Provisions Related to Certain Bid-Offer Acceptances Issued Pursuant to the Grid Code (e.g. BC2.9 and BC2.10)'

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RECOMMENDATIONS

Having considered and taken into due account the contents of draft P175 Modification Report, the Balancing and Settlement Code Panel recommends:

- **that Proposed Modification P175 should not be made;**
- **an Implementation Date for Proposed Modification P175 of 5 Working Days after an Authority decision; and**
- **the proposed text for modifying the Code, as set out in the Modification Report.**

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¹ The current version of the Balancing and Settlement Code (the 'Code') can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

The following parties/documents have been identified as being impacted by Modification Proposal P175.

Parties	Sections of the BSC	Code Subsidiary Documents
Suppliers <input checked="" type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input checked="" type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Licence Exemptable Generators <input checked="" type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input checked="" type="checkbox"/>
Transmission Company <input checked="" type="checkbox"/>	D <input type="checkbox"/>	Service Lines <input type="checkbox"/>
Interconnector <input checked="" type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input checked="" type="checkbox"/>
Distribution System Operators <input type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input type="checkbox"/>
Non-Physical Traders <input type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input checked="" type="checkbox"/>
Party Agents		
Data Aggregators <input type="checkbox"/>	H <input type="checkbox"/>	MIDS <input type="checkbox"/>
Data Collectors <input type="checkbox"/>	I <input type="checkbox"/>	Core Industry Documents
Meter Operator Agents <input type="checkbox"/>	J <input type="checkbox"/>	Grid Code <input type="checkbox"/>
ECVNA <input type="checkbox"/>	K <input type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
MVRNA <input type="checkbox"/>	L <input type="checkbox"/>	Ancillary Services Agreements <input type="checkbox"/>
BSC Agents		
SAA <input checked="" type="checkbox"/>	M <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
FAA <input type="checkbox"/>	N <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
BMRA <input checked="" type="checkbox"/>	O <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
ECVAA <input type="checkbox"/>	P <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
CDCA <input type="checkbox"/>	Q <input checked="" type="checkbox"/>	Settlement Agreement for Scotland <input type="checkbox"/>
TAA <input type="checkbox"/>	R <input type="checkbox"/>	Distribution Codes <input type="checkbox"/>
CRA <input type="checkbox"/>	S <input type="checkbox"/>	Distribution Use of System Agreements <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	T <input type="checkbox"/>	Distribution Connection Agreements <input type="checkbox"/>
SVAA <input type="checkbox"/>	U <input type="checkbox"/>	BSCCo
BSC Auditor <input type="checkbox"/>	V <input checked="" type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
Profile Administrator <input type="checkbox"/>	W <input type="checkbox"/>	Other Documents
Certification Agent <input type="checkbox"/>	X <input checked="" type="checkbox"/>	Transmission Licence <input type="checkbox"/>
MIDP <input type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
Other Agents		
SMRA <input type="checkbox"/>		
Data Transmission Provider <input type="checkbox"/>		

X = Identified in Report for last Procedure
 N = Newly identified in this Report

1 DESCRIPTION OF PROPOSED MODIFICATION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

1.1 Modification Proposal

Modification Proposal P175 'Development of Provisions related to certain Bid-Offer Acceptances issued pursuant to the Grid Code (e.g. BC2.9 and BC2.10)' (P175, Reference 1) was raised on 1 October 2004 by RWE Npower plc (the 'Proposer'). P175 seeks to amend the provisions for treatment of Acceptances entered into Settlement as a consequence of certain instructions issued under BC2.9 and BC2.10 of the Grid Code (NB: Henceforth in this document such Acceptances shall be referred to as 'deemed Grid Code Acceptances').

1.1.1 Current Arrangements

Under the Grid Code, the Transmission Company issues Bid-Offer Acceptances for intertrips (BC2.10), and for Emergency Instructions (BC2.9). Under the current Grid Code arrangements, Acceptances are not issued as a result of unplanned outages of the Transmission System, Maximum Generation or Demand Control events involving instructions to a Distribution Network Operator or an externally interconnected System Operator. As such, under the current Balancing and Settlement Code (BSC) baseline, deemed Grid Code Acceptances include those associated with intertrips and Emergency Instructions.

Currently deemed Grid Code Acceptances are not distinguished within Settlement in anyway. Hence, the resulting Acceptance will have the following effect:

- The Lead Party of the affected BM Unit will either be paid (or pay) for the Acceptance at the prevailing Bid Price or Offer Price via the Period BM Unit Cashflow;
- As a result of the impact on the Period BM Unit Cashflow for the Lead Party of the affected BM Unit, there will be an impact on Balancing Services Use of System (BSUoS) charges for all Parties; and
- The Acceptance Volume will feed into the Energy Imbalance Price calculation at the prevailing Bid Price or Offer Price. This will impact imbalance payments, and consequentially the Residual Cashflow Reallocation Cashflow (RCRC), for all Parties.

1.1.2 Modification Proposal P175

Under P175 a new mechanism would be introduced that would treat deemed Grid Code Acceptances in the following way:

- As soon as possible after issuing the instruction the Transmission Company would notify industry via the Balancing Mechanism Reporting Agent (BMRA);
- Post event and to set timescales, the Transmission Company would construct the Acceptance Data required to represent the instructed volume within Settlement in accordance with a defined procedure;
- Deemed Grid Code Acceptances would be processed in Settlement in the following manner:
 - A replacement Bid/Offer price would be derived from the prices of Bids and/or Offers that would have been taken by the Transmission Company had the instruction not been issued. The Acceptance would then be included in the existing Energy Imbalance Price calculation at this replacement price. This approach would be utilised in an attempt to represent the

consequential 'energy' balancing that may be delivered by an instruction issued for System balancing reasons;

- The Acceptance would be excluded from the Period BM Unit Cashflow such that the Lead Party of the affected BM Unit would not be paid (or pay) for the Acceptance at either the prevailing or replacement Bid/Offer price;
- Since the Lead Party of the affected BM Unit would not be paid (or pay) for the Acceptance at either the prevailing or replacement Bid or Offer price it would be possible for the Party to apply under the BSC for compensation for any costs incurred in responding to the instruction. The costs claimable by the Party would be based on the costs incurred in responding to the instruction and would include costs associated with plant damage but would exclude any amounts received or paid under the Connection Use of System Code (CUSC) or any other bilateral agreement with NGC. It is the intention of the Proposer that in the long term most compensation would be received outside the BSC such that the cash flow under the BSC would be zero in almost all cases; and
- A process would be required in order for any compensation amounts paid to the Lead Party of the affected BM Unit to be recovered from the Transmission Company where appropriate.

1.1.3 History

1.1.3.1 Emergency Instructions

The first Emergency Instruction was issued under NETA on 19 May 2004, details of this incident were outlined in ELEXON Circular (EL01201) and are summarised below.

On 19 May 2004, it was determined that a piece of high voltage equipment was showing signs of distress and needed to be taken out of service as soon as possible in order to prevent an unsafe situation. The location of the distressed equipment meant that it was necessary to stop Damhead Creek Power Station exporting to the Transmission System. At 12:51 BST on 19 May 2004, NGT issued an Emergency Instruction to Damhead Creek Power Station to perform a controlled shutdown and desynchronise the BM Unit as quickly as possible. The power station complied with the instruction and the equipment was isolated safely.

In this case, the prevailing Bid Price for a large proportion of the Acceptance Volume was £-9,999/MWh. NGC initially postponed submitting the Acceptance Data due to the likely Settlement implications for Market Participants. A Trading Dispute was eventually raised by Damhead Creek Power Station in order to include the Acceptance in Settlement.

The Trading Disputes Committee (TDC) heard the Trading Dispute on 19 August 2004 and agreed that a Settlement Error had occurred. The TDC directed that a Bid Acceptance should be entered into Settlement in the R3 Reconciliation Run on 15 December 2004. Inclusion of the Acceptance Data will impact the calculation of System Sell Price (SSP) for the relevant periods. ELEXON's estimate of the revised SSPs which will result from the inclusion of the Bid Acceptance is:

- -£96.68/MWh in Settlement Period 27²; and
- -£5,870.87/MWh in Settlement Period 28.

NGT has also indicated that the £3.55M cost of the Bid Acceptance and the associated impact on Incentivised Balancing Costs will result in changes to BSUoS charges for the relevant periods.

² NB: A negative SSP will mean that a Party who was 'long' during the Settlement Period will pay the absolute value of SSP for its imbalance volume (rather than receive it).

1.1.3.2 Intertrips

No intertrips have been 'fired' (i.e. operated) since NETA Go-Live (i.e. 27 March 2001).

1.1.4 Process Followed

ELEXON presented an Initial Written Assessment (IWA) of P175 (Reference 2) to the Balancing & Settlement Code Panel ('the Panel') at its meeting on 14 October 2004. The Panel agreed with the recommendation that P175 be submitted to a two-month Assessment Procedure to be carried out by the Pricing Standing Modification Group (PSMG).

The PSMG met four times to consider P175 - on 15 October, 12 November, 22 November and 30 November 2004. At the first meeting, the PSMG developed the proposed solution, formed initial views on the issues raised in the IWA and agreed the content of a consultation document to be issued to the industry. P175 was subsequently issued for consultation in order to support the assessment of P175 against the Applicable BSC Objectives. At the final two meetings, the PSMG considered the consultation responses received and concluded its assessment of P175.

An Assessment Report (see Annex 3) was presented to the Panel at its meeting on 9 December 2004. At that meeting, the Panel agreed that P175 should be submitted to the Report Phase with a provisional recommendation that the Proposed Modification should not be made.

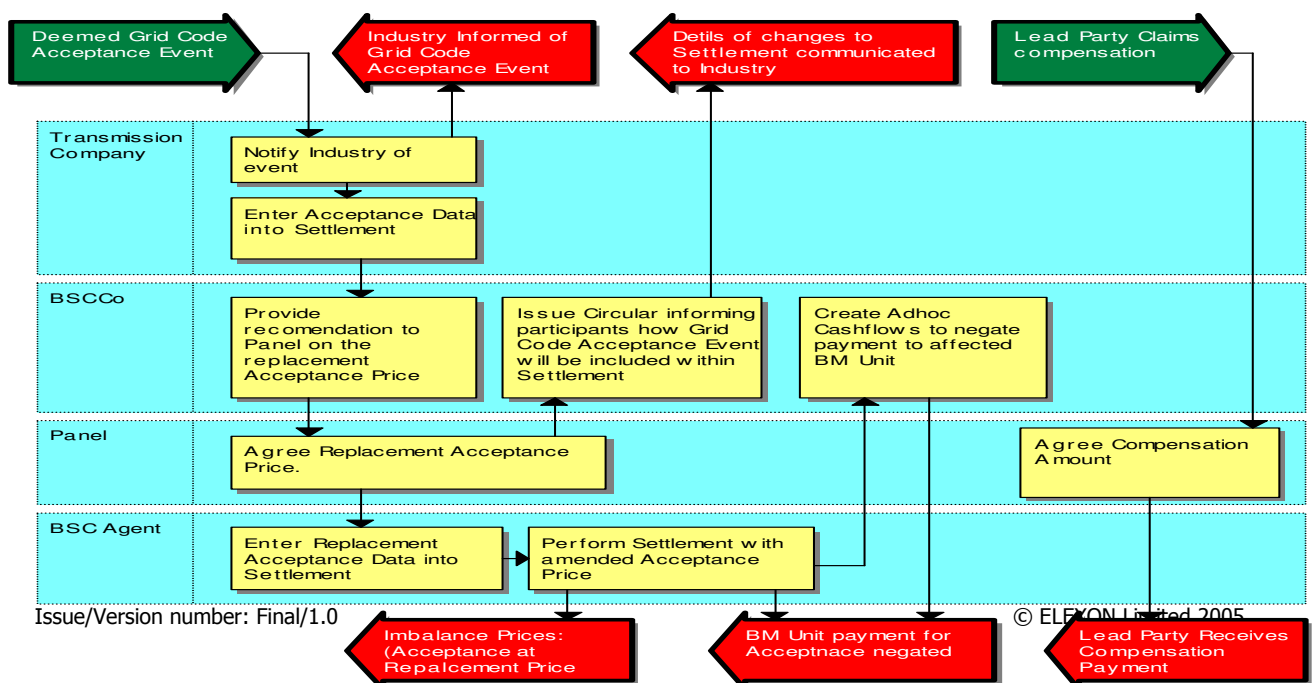
A draft Modification Report, including proposed legal text for the Proposed Modification, was issued on 16 December 2004 with responses due on 23 December 2004. The draft report and the responses received were presented to the Panel at its meeting on 13 January 2004. At the meeting, the Panel confirmed its provisional recommendation that the Proposed Modification should not be made.

See section 3 for further details regarding the Panel's recommendation and see section 6 for a summary of the consultation responses received.

It should be noted that Modification Proposal P171 'Retrospective removal of Emergency Instructions taken for System reasons from Imbalance Price' (P171, Reference 4), Modification Proposal P172 'Removal of Emergency Instructions taken for System reasons from Imbalance Price' (P172, Reference 5) and P173 'Revised Settlement Arrangements for Emergency Instructions' (P173, Reference 6) also seek to amend the treatment of Emergency Instructions within Settlement and were considered by the PSMG in parallel with P175. P171, P172 and P173 are considered in separate documents.

1.2 Proposed Modification

The PSMG developed and refined the Modification Proposal into a full end-to-end solution. The diagram below provides an overview of each of the elements in the Proposed Modification.



Details of each element of the Proposed Modification are provided in section 1.2.3 of the Assessment Report.

1.3 Issues raised by the Proposed Modification

The following issues were considered during the assessment of Proposed Modification P175:

- Scope of Solution;
- Impact on Energy Imbalance Prices;
- Solution Development;
- Compensation Mechanism for Deemed Grid Code Acceptances;
- 'Pay as Bid' Principle;
- Related Rejected Modification Proposals; and
- Interaction with related Modification Proposals.

With the exception of the interaction with other Modification Proposals, these issues are discussed in the Assessment Report and are not covered further here.

1.3.1 Interaction with other Modification Proposals

Modification Proposal P177 'Removal of Intertrip provisions from the BSC' (P177, Reference 8) seeks to remove the provisions relating to intertrips from the BSC such that an Acceptance would no longer be created to represent the action within Settlement. P177 has been raised as a consequence of Connection and Use of System Code (CUSC) Amendment Proposal 76 'Treatment of System to Generator Intertripping Schemes' (CAP076, Reference 9) which proposes that compensation for intertrips should be addressed under the CUSC. P177 is also being considered by the PSMG and will be the subject of a separate Assessment Report. However, the Assessment Procedure timetable has been set such that it coincides with the progression of CAP076 as far as possible. As a consequence, P177 was submitted to a three-month Assessment Procedure and as such that the associated Assessment Report is scheduled to be presented at the Panel meeting on 13 January 2005.

This section outlines at a high level the similarities and differences between the key elements of P171, P172, P173, P175, P177 and the associated Alternative Modifications.

	P171 & P172	P173	P175	P177 & CAP076
Implementation	Retrospective (P171) Prospective (P172)	Prospective	Prospective	Prospective
Scope	Emergency Instructions (Proposed & Alternative)	Emergency Instructions (Proposed & Alternative)	Emergency Instructions & Intertrips	Intertrips
Prevailing Acceptance price within Imbalance Price Calculation	BOA un-priced in cash out (Proposed)	BOA at Avoided Costs (Proposed)	BOA priced at "Replacement Price"	No BOA for intertrips
	BOA priced at "Replacement Price" (Alternative)	BOA priced at Expanded Definition of Avoided Costs (Alternative)		

Volume within Imbalance Price Calculation	Included as "System" volume (Proposed)	BOA volume in cash out (Proposed & potential Alternative)	BOA volume in cash out	Volume included in System BSAD ³
	BOA volume in cash out (Alternative)			
Payment to affected Party under BSC	Party paid (pays) prevailing Bid/ Offer Price (Proposed & Alternative)	Party paid (pays) for BOA at Avoided Costs (Proposed)	Party may claim costs	None
		Party paid (pays) for BOA at Expanded Definition Avoided Costs (Alternative)		
Compensation	N/A	N/A	Compensation Payment under CUSC, BSC or Bilateral	Compensation Payment under CUSC or Bilateral

Table 1: Interactions

The PSMG noted that there were elements of each proposal which were similar and result in a number of combinations which, depending on the legal drafting developed, could in theory be implemented together. These were considered by the PSMG as follows:

P171 and P172 (Proposed and Alternatives)

P171 and P172 have the same requirements, with the element of retrospection the only difference between the two proposals; hence the possibility of both proposals being implemented together has not been considered.

Retrospective Element of P171

It was noted that P171 has a retrospective element; the PSMG considered whether it would be possible to implement P171 for historic Emergency Instructions only, whilst implementing another proposal as an ongoing solution (effectively 'turning off' P171 prospectively). However, it was recognised that in order to do this the enduring change would need to amend the P171 baseline (effectively amending or overwriting sections of the Code which do not currently exist), since the legal drafting of a Modification Proposal must be against the current baseline this approach is not feasible. Therefore, in order to achieve this outcome, a Modification Proposal would have to be raised against the P171 baseline following an Authority decision on P171.

P171/P172 Proposed and P175

Proposed Modifications P171 and P172 require that Acceptances resulting from Emergency Instructions be tagged as un-priced in the Energy Imbalance Price calculation. P175 requires that the same Acceptances are replaced, for the purpose of the Energy Imbalance Price calculation, with Acceptances that would have been taken in the absence of the Emergency Instruction. This different treatment within the Energy Imbalance Price calculation is incompatible; therefore P171/2 Proposed Modifications are incompatible with P175. In addition the scope of P175 extends to intertrips.

P173 Proposed/Alternative and P175

Proposed Modification P173 requires that Parties affected by an Emergency Instruction would receive Avoidable Costs (or amended Avoidable Costs under the Alternative) incurred in responding to the instruction. Under P175 affected Parties would recover cost incurred via a claim for compensation. Therefore, P173 Proposed and Alternative Modifications are incompatible with P175. In addition the scope of P175 extends to intertrips.

³ This is conditional on proposed changes to the BSAD Methodology Statement being approved and made.

P171/P172 Alternative and P175

Alternative Modifications P171 and P172 require that Acceptances resulting from Emergency Instructions are replaced, for the purpose of the Energy Imbalance Price calculation only, with Acceptances that would have been taken in the absence of the Emergency Instruction. P175 requires the same treatment of Emergency Instructions within the Energy imbalance Price calculation but includes additional elements (such as removal of the BM Unit Cashflow for the instruction and introduction of a compensation claim process). Since P175 would deliver the changes to the Energy Imbalance Price calculation proposed under P171/2 Alternative, with the exception of the retrospective element of P171 as considered above, there is no logical reason for implementing both P175 and P171/2 Alternative Modifications. In addition the scope of P175 extends to intertrips.

P173 Proposed/ Alternative and P171/P172 Alternative

P173 proposes that the prevailing Bid/ Offer price of an Acceptance resulting from an Emergency Instruction is adjusted to represent the Avoidable Costs incurred in responding to that Emergency Instruction. Alternative Modifications P171 and P172 require that Acceptances resulting from Emergency Instructions are replaced, for the purpose of the Energy Imbalance Price calculation only, with Acceptances that would have been taken in the absence of the Emergency Instruction. These replacement processes would be applied to separate elements of the Settlement Process and are theoretical compatible. However, in order to create a solution which was robust to either of the proposals being implemented in parallel or individually, the drafting would need to specify which proposal took precedence in certain calculations (for example where to use the P173 Avoidable Cost based replacement price and when to use the P171/P172 replacement Acceptances). The PSMG considered a number of approaches which would allow this to be achieved. However, it was not possible to identify an approach which would not jeopardise P173 as a standalone Modification. Therefore, the legal drafting developed for P173 does not allow parallel implementation with Alternative Modifications P171/2.

P173 Proposed/ Alternative and P171/P172 Proposed

P173 proposes that the prevailing Bid/ Offer price of an Acceptance resulting from an Emergency Instruction is adjusted to represent the Avoidable Costs incurred in responding to that Emergency Instruction. Proposed Modifications P171 and P172 require that the same Acceptances be tagged as un-priced in the Energy Imbalance Price calculation. These two individual changes would be achieved via amendment of separate sections of the Code. It is possible that both changes could be made with the following effect:

- Acceptance price is amended to reflect Avoidable Costs;
- For the purpose of the BM Unit Cashflow the Acceptance is priced to reflect Avoidable Costs, affected Parties therefore receive Avoidable Costs as payment for the Bid/ Offer; and
- For the purpose of the Energy Imbalance Price calculation the Acceptance is tagged as un-priced. As a result the Acceptance is not included in the weighted average which sets the Energy Imbalance Price.

Therefore, P171/2 Proposed Modifications are theoretically compatible with P173 and the legal drafting developed allows the changes to be implemented in parallel.

P175 and P177

The PSMG noted that P177, and the associated CUSC Amendment Proposal CAP076, seek to remove the intertrip provisions from the BSC, such that Acceptances would no longer be created to represent these actions within Settlement. As such, should P177 be approved, it may be the case that P175 would not apply to intertrips. In addition were P175 approved, it may be the case that P177 would not be

required because the P175 solution enables compensation for intertrips to be provided under arrangements other than the BSC.

Conclusion:

Table 2 below illustrates the feasible combinations of Modification Proposals as identified by the PSMG and reflected in the legal drafting developed.

	P171 Pro	P171 Alt	P172 Pro	P172 Alt	P173 Pro	P173 Alt	P175
P171 Pro					Y	Y	N
P171 Alt					N	N	N
P172 Pro					Y	Y	N
P172 Alt					N	N	N
P173 Pro	Y	N	Y	N			N
P173 Alt	Y	N	Y	N			N
P175	N	N	N	N	N	N	

Table 2: Compatible proposals

The PSMG developed legal text which allows certain combinations of proposals as set out in table 2. However, it was the view of the PSMG that, whilst certain combinations of Modifications Proposals may be possible, it could not be considered that such a combination had been fully assessed (since a combination of proposals presents an entirely different outcome than any of the proposals when considered independently as required by the Modification Procedures). As such, it was the view of the PSMG that all the Modification Proposals should be viewed as mutually exclusive.

1.4 Assessment of Proposed Modification Against the Applicable BSC Objectives

The PSMG identified impacts on Applicable BSC Objectives (b), (c) and (d). The following subsections provide the PSMG's assessment against each of these objectives.

1.4.1 Applicable BSC Objective (b)

Applicable BSC Objective (b) is as follows:

"The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System."

The majority of the PSMG expressed a concern that P175 may detract from achievement of Applicable BSC Objective (b). By removing the possibility of payments at 'extreme' Bid-Offer Prices for deemed Grid Code Acceptances, P175 may provide an incentive for the System Operator to issue more deemed Grid Code Acceptances than would otherwise be the case. However, it was noted that the Grid Code clearly sets out the limited circumstances under which deemed Grid Code Acceptances may be issued. Furthermore, it was noted that P175 would ensure that the System Operator was exposed to the costs incurred as a result of deemed Grid Code Acceptances (i.e. through a consequential cost claim by the affected Party), providing a disincentive to use Emergency Instructions and Intertrips.

However, a minority believed that P175 would better facilitate achievement of Applicable BSC Objective (b). By ensuring that the costs incurred in responding to deemed Grid Code Acceptances would be adequately compensated, P175 would reduce any potential disincentive to respond to Emergency Instructions or agree to the operation of an intertrip where the prevailing Bid/Offer Price did not fully reflect the associated costs. However, the majority of the PSMG disagreed, noting that the Grid Code provides an obligation to respond to Emergency Instructions and that a Bid/Offer Price is more likely to include all the perceived costs and risks associated with responding to deemed Grid Code Acceptances.

1.4.2 Applicable BSC Objective (c)

Applicable BSC Objective (c) is as follows:

"Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity."

The majority of the PSMG believed that P175 would have a negative impact on Applicable BSC Objective (c). In their opinion, the compensation claim process, unlike 'pay-as-bid', would not compensate affected Parties for all costs incurred in responding to a deemed Grid Code Acceptance (e.g. consequential imbalance). In addition, replacement of 'pay as bid' with a cost claim process would require Parties seeking compensation to produce a potentially complex and time consuming cost claim even though they have already submitted Bid-Offer Prices.

In addition, one member of the PSMG indicated that the inclusion of plant damage in the costs claimable would represent a subsidy of the generation sector of the market by the supply sector.

However, a minority believed that P175 would better facilitate achievement of Applicable BSC Objective (c). Energy Imbalance Prices are intended to represent the cost of energy balancing actions. The current treatment of Emergency Instructions and intertrips in Settlement may result in actions taken for 'System' reasons significantly distorting Energy Imbalance Prices. This introduces the possibility of Parties being exposed to Energy Imbalance Prices that are unrepresentative of the energy balancing actions taken by the System Operator. P175 would reduce this potential exposure to unrepresentative Energy Imbalance Prices. In addition, by departing from the 'pay-as-bid' principle for deemed Grid Code Acceptances, P175 would remove the possibility of 'windfall' gains and losses in emergency situations.

1.4.3 Applicable BSC Objective (d)

Applicable BSC Objective (d) is as follows:

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

The majority of the PSMG believed that P175 would detract from achievement of Applicable BSC Objective (d). P175 would introduce a new process for establishing a replacement acceptance price and a compensation claim process for use in extremely rare circumstances. The PSMG was of the opinion that such a solution was unnecessarily complex given the rarity of the event it is designed to cater for. In addition, one member believed that the Panel determination on 'claimable costs' under P175 would introduce the risk of legal challenge from affected Parties.

A minority noted that most elements of the processes for establishing the replacement price and handling compensation claim already existed in the BSC and supporting documentation.

1.4.4 Conclusion

The majority of the PSMG concluded that P175 would not better facilitate achievement of the Applicable BSC Objectives. However, a minority, specifically the Proposer, was of the opinion that P175 would better facilitate achievement of the Applicable BSC Objectives.

1.5 Governance and regulatory framework assessment

A member of the PSMG raised a concern that limiting the costs claimable to just those incurred during the period for which the relevant deemed Grid Code Acceptance was issued, could be in breach of Article 1 of the First Protocol of the European Convention on Human Rights.

The PSMG noted that the legal advice received by ELEXON in relation to P173 and deemed that it was equally applicable to P175. The legal advice received indicated that an infringement was not inherent in the arrangements proposed under P173.

The legal advice received by BSCCo is contained in Annex 8 of the Assessment Report. However, the member who raised the concern still believed that an issue existed. This member's response to the legal advice is contained in Annex 9 of the Assessment Report. Further legal advice and a revised response to the initial legal advice are contained in the addendums to the Assessment Report. The PSMG noted the advice and the response to it, but agreed that neither altered its recommendation in respect of P175.

2 COSTS⁴

PROGRESSING MODIFICATION PROPOSAL

Meeting Cost	£500
Legal/expert Cost	£3,500 ⁵
Impact Assessment Cost	£5,000
ELEXON Resource	50 Man days £12,500

IMPLEMENTATION COSTS

		Stand Alone Cost	P175 Incremental Cost	Tolerance
Service Provider⁶ Cost	Change Specific Cost	£41.5k*	£41.5k*	+/- 0%
	Release Cost	£0	n/a	+/- 0%
	Incremental Release Cost	£0	£0	+/- 0%
	Total Service Provider Cost	£41.5k	£41.5k	+/- 0%
Implementation Cost	External Audit	£0	£0	+/- 0%

⁴ Clarification of the meanings of the cost terms in this section can be found in annex 7 of this report

⁵ This is a revised estimate from that presented in the Initial Written Assessment and includes the cost of the additional external advice that was required during the Assessment Procedure.

⁶ BSC Agent and non-BSC Agent Service Provider and software Costs

	Design Clarifications	£0	£0	+/-0%
	Additional Resource Costs	£0	£0	+/-0%
	Additional Testing and Audit Support Costs	£0	£0	+/-0%
	Total Demand Led Implementation Cost	£41.5k	£41.5k	+/- 0%

* Note that this cost also includes third party costs required to amend BSCCo's TOMAS system

ELEXON Implementation Resource Cost		131 Man days £29k	86 Man days £19k	+/- 10%
Total Implementation Cost		£70.5k	£60.5k	+/- 10%

ONGOING SUPPORT AND MAINTENANCE COSTS

	Per Emergency Instruction	Tolerance
Service Provider Operation Cost	£175 per incident	£0
Service Provider Maintenance Cost	£0	£0
ELEXON Operational Cost	£1,200 per incident	+/-50%

3 RATIONALE FOR PANEL'S RECOMMENDATIONS

The Panel unanimously agreed a recommendation that the Proposed Modification should not be made. The Panel also unanimously agreed that, should the Authority determine that the Proposed Modification be made, the Implementation Date should be 5 Working Days following any such determination.

The following sub-sections summarise the views and discussions of the Panel

3.1 Recommendation

The Panel concluded that the Proposed Modification would not better facilitate achievement of the Applicable BSC Objectives. By departing from the 'pay-as-bid' principle for Bid-Offer Acceptances, P175 would be detrimental to Applicable BSC Objective (c). In general, it is desirable that prices are set by the market and that intervention is kept to a minimum, especially in an 'energy only' market. Therefore, in the context of the Balancing Mechanism, honouring prices submitted by participants is an important factor in promoting effective competition in the Balancing and Settlement Arrangements.

In addition, one Panel member noted that the issuing of Emergency Instructions, in certain circumstances, might result from the absence of 'preventative' maintenance of network assets. This Panel member also raised a concern that P175 would set a precedent for the Panel determining the

costs of market participants. However, BSCCo noted that the possibility already existed within the current baseline as a result of the 'Avoidable Cost' provisions contained in Section G2.

Whilst not considering P175 a complete or appropriate solution, one Panel member believed that it had the merit of attempting to bring consistency to the treatment of operational instructions in Settlement.

3.2 Further Comments

The Panel unanimously agreed that the central issue was 'pay-as-bid' and whether or not departure from that principle in the limited circumstances proposed under P175 was appropriate.

Several Panel members indicated that the arguments made by the Modification Group, for and against P175, in relation to Applicable BSC Objective (b) (i.e. in terms of incentives to issue and respond to Emergency Instructions) were not relevant or appropriate. These members noted that the Grid Code clearly set out the circumstances under which Emergency Instructions could be issued and obligations for Parties to respond to them.

In addition, the Panel also noted the concern raised by a Modification Group member that P175 might constitute an infringement of an affected Party's rights under the European Convention of Human Rights. However, whilst noting the concern, and the legal advice received that an infringement was not inherent in the arrangements proposed under P175, the Panel agreed with the Modification Group's conclusion that no further assessment was required or appropriate.

One Panel member noted that since intertrip schemes were not a feature common to all BM Units, compensation might be better negotiated directly with the Transmission Company as part of the installation process. The Transmission Company representative noted that it had proposed compensation arrangements for intertrips under the CUSC, which were still under consideration.

Noting the concerns with the legal text raised by one consultation respondent, a Panel member sought confirmation from BSCCo that the text would allow cost claims to be treated confidentially. BSCCo confirmed that the existing provisions within section B3 of the BSC would enable cost claims to be treated confidentially.

4 IMPACT ON BSC SYSTEMS AND PARTIES

An assessment has been undertaken in respect of BSC Systems and Parties and the following areas have been identified as potentially being impacted by the Proposed Modification.

4.1 BSCCo

The CVA Programme and CVA Operations will be required to support implementation and document the processes for dealing with deemed Grid Code Acceptances. In addition ELEXON Systems Assurance will be required to support the implementation of P175.

Changes would also be required to TOMAS in order to allow prices to be calculated in accordance with the replacement price methodology. The required changes to TOMAS would incur an estimated cost of £33,700. BSCCo would also be required to support the Panel in the determination of the replacement Acceptances.

BSCCo might also be required to support the Panel in the determination of cost claims.

See section 8 for details of the implementation approach.

4.2 BSC Systems

The BSC Agent (SAA) would be required to enter deemed Grid Code Instruction data into Settlement and adjust the prevailing price of the Acceptance at a later Settlement Run. This would require changes to documentation to formalise process. In addition there would be an operational cost per incident for making the required data changes.

The BSC Agent Impact Assessment of P175 is contained in Annex 5 of the Assessment Report.

4.3 Parties and Party Agents

One Party reported that there would be a change to the processing of financial values, but that this would not require any system changes. Due to the infrequent nature of such deemed Grid Code Acceptances, this Party stated that any processing would be manual and expected any costs to be operational.

See Annex 6 of the Assessment Report for a copy of the Party impact assessment received.

5 IMPACT ON CODE AND DOCUMENTATION

5.1 Balancing and Settlement Code

Implementation of P175 would require changes to the following sections of the BSC:

Item	Proposed Modification
Q	(1) Requirement for Transmission Company to notify the industry ,via the Balancing Mechanism Reporting Service (BMRS), of Emergency Instructions issued and the operation of Intertrips. (2) Amend timescales for submission of deemed Grid Code Acceptance data. (3) Insert compensation claims process. (4) Methodology for determining replacement Acceptances for deemed Grid Code Acceptance to be added. (5) Insert treatment of deemed Grid Code Acceptances for purposes of Period BM Unit Cashflow
V	Insert requirement to report 'Excluded Acceptances' on BMRS
X	Insert definition of 'Excluded Acceptance'

5.2 Code Subsidiary Documents

Implementation of P175 would require changes to the following Code Subsidiary Documents:

Item	Proposed / Alternative
SAA SD	The Settlement Administration Agent (SAA) Service Description would need to be amended to document the manual processes required to receive adjusted Bid-offer data from BSCCo and apply to the next Settlement Run.
BSCP18	Amendment required to document the post-event revision of Acceptance data.
New BSCP	A specific BSCP might need to be created to document the process for determining the replacement price.

NDFC	The NETA Data File Catalogue would require amendment.
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5.3 Impact on other configurable items

Implementation of P175 would require changes to the following configurable items:

Item	Proposed / Alternative
SAA URS	The SAA User Requirements Specification would need to be amended to support the P175 methodology.
IDD	New interface from BSCCo to Central Systems required

5.4 Impact on Core Industry Documents and supporting arrangements

No impacts were identified by the PSMG, the Transmission Company or the Core Industry Document Owners.

6 SUMMARY OF CONSULTATIONS

The P175 draft Modification Report consultation was issued on 16 December 2004 with responses due on 23 December 2004. Ten responses, representing 48 Parties, were received.

Consultation question	Respondent agrees	Respondent disagrees	Opinion unexpressed
Do you agree with the Panel's views on P175 and the provisional recommendation to the Authority contained in the draft Modification Report that P173 should be made?	8(37)	1(10)	1(1)
Do you agree with the Panel's view that the legal text provided in the draft Modification Report correctly addresses the defect or issue identified in the Modification Proposal?	3(12)	2(20)	5(16)
Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P175?	7(42)	0(0)	3(6)

6.1 Panel's Provisional Recommendation

The majority of respondents who commented supported the Panel's provisional recommendation that P175 should not be made. The following reasons were given:

- Departure from the principle of "pay as Bid" would be detrimental to competition;
- The requirement to disclose commercially confidential information may place Parties in breach of contract or breach of the Code;
- Parties may not be able to recover all costs incurred in responding to an Emergency Instruction, for example, consequential imbalance costs;
- Developing a proxy imbalance price will introduce unnecessary uncertainty, complexity and inefficiency to the operation of the central arrangements;
- P175 suggests that certain Bid/Offer Prices are 'inappropriate'. All prices up to £99,999 are permitted, therefore all prices up to this level are 'appropriate';

- P175 would effectively introduce a price cap for Bids and Offers that would distort and impair investment signals;
- P175 would not provide any assurance that an affected Party would be able to recover its costs and receive a reasonable return for the service provided;
- P175 would allow remuneration to be sought for a number of cost categories for which it is not appropriate that the industry underwrites the affected Party (e.g. 'plant damage'); and
- As a result of P175, affected Parties could potentially claim for compensation for infringement of their rights under Article 1 of the First Protocol of the European Convention of Human Rights.

One respondent, the Proposer, disagreed with the Panel's recommendation. Based on the assumption that "pay as bid" is not relevant for deemed Grid Code Acceptances, this respondent believed that P175 would provide appropriate arrangements for deriving Energy Imbalance Prices and for the remuneration of affected Parties.

6.2 Draft Legal Text

The majority of respondents who commented agreed that the draft legal text correctly addresses the issue or defect identified in the Modification Proposal.

One respondent disagreed with two aspects of the legal text. First, the legal text ought to refer to 'financing costs or overhead costs' rather than just to increases in those cost categories. Second, it ought to explicitly state that the Panel will treat any information it receives in relation to a compensation claim in a confidential manner.

These issues were discussed by the PSMG whilst the text was being developed, and external legal advice was sought on the drafting. The advice received was that: (1) restricting Avoidable Costs to 'increases' in financing/overhead costs would better maintain the desired link between the payment received and costs incurred as a result of responding to an Emergency Instruction or intertrip; and (2) existing provisions under section B3 of the BSC already enable the Panel to treat information submitted by Parties confidentially.

One respondent disagreed, expressing the view that the legal text addresses the solution contained in the P175 Modification Report but that the solution itself does not address the defect.

One respondent noted that P175 could not be implemented in conjunction with P171, P172 or P173 (or their Alternatives).

6.3 Recommended Implementation Date

All respondents who expressed an opinion agreed with the Proposed Implementation Date of 5 Working Days following an Authority decision.

6.4 Further Comments

One respondent believed that P175 represented a proportionate solution to the issue of the treatment of Deemed Grid Code Acceptances in Settlement, while retaining governance under the BSC.

6.5 Comments and views of the Panel

The Panel noted the responses received and in particular that the respondent who disagreed with its provisional recommendation was the Proposer.

The Panel also noted the proposed changes to the draft legal text raised by one of the respondents. However, the Panel supported BSCCo's position that no change was necessary because the issues had already been discussed during the Assessment Procedure and that the text was consistent with the external legal advice received and the majority view of the PSMG.

7 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

A summary of the Transmission Company Analysis of P175 is provided below. A full copy is contained in Annex 4 of the Assessment Report.

7.1 Analysis

The Transmission Company noted that P175 placed three additional requirements on it but indicated that meeting these requirements would have a minimal impact on its systems and processes:

- **Notifying the Industry of an Emergency Instruction and/or Intertrip:** notification could be issued via the 'Systems Warnings Page' on the BMRS (i.e. existing functionality). However, the Transmission Company indicated that this would need to be on a 'reasonable endeavours' basis to cater for extreme situations in which several Emergency Instructions have been issued and/or Intertrips operated.
- **Determination of Acceptance Data:** this could be achieved through the existing process contained in BSCP18 "Corrections to Bid/Offer Acceptance Related Data" (Reference 10). However, the Transmission Company indicated that in extreme situations the possibility existed that the data would not be available for II.
- **Provision of Information to Support Determination of Replacement Price:** this could be achieved through the existing Manifest Error process for identifying replacement Bids and/or Offers. However, the Transmission Company indicated that clear guidance needed to be provided as to the appropriate treatment for the three possible scenarios:
 - Sufficient unaccepted feasible Bids/Offers available to meet entire volume;
 - No other unaccepted feasible Bids/Offers available; and
 - Unaccepted feasible Bids/Offers available to meet a proportion of the volume.

The Transmission Company indicated that it was unable to provide views on: (a) the impact of P175 on its ability to discharge its obligations under the Transmission Licence and (b) whether or not P175 would better facilitate achievement of the Applicable BSC Objectives. Noting that three areas existed in which further development and assessment of P175 was required before it could provide a full analysis:

- **Scope of P175:** whether the Modification Proposal applies to whole sections of the Grid Code or explicitly to Emergency Instructions and the operation of intertrips;
- **Definition of 'Avoidable Costs':** what costs are included and what is meant by "plant damage"; and
- **'Replacement Price' Methodology:** further assessment of its appropriateness and consistency with the existing Energy Imbalance Price Calculation required.

However, the Transmission Company did indicate that Emergency Instructions and intertrips are events which occur outside of the normal operation of the Balancing Mechanism and as such should not be subjected to normal Bid-Offer prices. The Transmission Company felt that P175 would better facilitate the achievement of the Applicable BSC Objectives if:

- Compensation was limited to Avoidable Costs as currently defined in the BSC;

- The proposed provisions were explicitly linked to Emergency Instructions and the operation of an intertrip; and
- Further assessment of the use of a replacement price concluded that it was appropriate and consistent with the treatment of other System actions in cash-out.

Finally, the Transmission Company felt that Emergency Instructions and intertrips are an important part of operation, and that arrangement should be put in place to give Parties comfort that should these actions be issued, then they will be treated appropriately in Settlement. The Transmission Company also stated that Parties follow all their obligations under the Grid Code such that the security of supply is maintained.

The PSMG noted that the Transmission Company Analysis reported minimal impact on processes and systems. Furthermore, the PSMG believed that the areas of the solution which the Transmission Company highlighted as requiring further assessment and development had been addressed as follows:

- **Scope of P175:** the PSMG concluded that the scope of P175 ought to be explicitly limited to Acceptances relating to Emergency Instructions and the operation of Intertrips only;
- **Definition of 'Avoidable Costs':** the existing definition of avoidable costs is a known and established part of the BSC baseline. In addition, 'plant damage' should not be too narrowly defined but would be subject to the same evidential requirements as all other cost items under Section G2; and
- **'Replacement Price' Methodology:** the proposed methodology is based on the clearly defined and established Manifest Error process. In addition, the possible scenarios noted by the Transmission Company were subsequently addressed.

The Transmission Company confirmed that its concerns had been addressed by the further development and clarification of the solution undertaken by the PSMG. However, it re-iterated that clear guidance would be required, perhaps in a Code Subsidiary Document, on the construction of Acceptance Data for the purposes of calculating the replacement price.

7.2 Comments and views of the Panel

The Panel noted that the Transmission Company Analysis reported that implementation of P175 would have minimal impact on its processes and systems. In addition, the Panel noted that the Transmission Company's initial concerns had been fully addressed by the further development and clarification of the solution undertaken by the PSMG.

8 IMPLEMENTATION APPROACH

The PSMG proposed that P175 be implemented on a Settlement Day basis and that the Implementation Date be 5 Working Days after an Authority determination.

Settlement Day Basis

Implementation on a Settlement Day basis would mean that P175 would only apply to Emergency Instructions issued (and intertrips operated) on Settlement Days on or after the Implementation Date.

This approach was favoured by the PSMG because it would avoid making the change retrospective.

Lead Time of 5 Working Days

Five Working Days would provide sufficient lead time to implement the necessary Code changes. The documentation and process changes to support the amended Code obligations would then be delivered in the next available Release. Document and process changes would be delivered on 29 June 2005, if

decision an Authority decision is received by 9 March 2005. Alternatively, should an Authority determination be received after this date, but on or before 6 July 2005 these changes would be delivered on 2 November 2005.

The PSMG proposed this approach to minimise the risk of an Emergency Instruction being issued (or an intertrip operated) prior to the Implementation Date of P175. In addition, the PSMG noted that this approach was consistent with that proposed under P171, P172 and P173.

The Panel unanimously supported the implementation approach proposed by the PSMG.

9 DOCUMENT CONTROL

9.1 Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	14.12.04	Change Delivery	Change Delivery	Internal Review
0.2	16.12.04	Change Delivery	Interested Parties	Consultation
0.3	04.01.05	Change Delivery	Change Delivery	Final Internal Review
0.4	07.01.05	Change Delivery	Panel	Decision
1.0	19.01.05	Change Delivery	Authority	Decision

9.2 References

Ref	Document	Owner	Issue Date	Version	Hyperlink
1	Modification Proposal P175	-	01.10.2004	-	http://www.elexon.co.uk/documents/modifications/175/P175.pdf
2	Modification Proposal P175 Initial Written Assessment	ELEXON	08.10.2004	1.0	http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2004_-_084_-_Papers/84_010a.pdf
4	Modification Proposal P87 Decision Letter	Authority	02.09.2003	-	http://www.elexon.co.uk/documents/modifications/87/P087_Ofgem_Decision.pdf
5	Modification Proposal P171	-	25.08.2004	-	http://www.elexon.co.uk/documents/modifications/171/P171.pdf
6	Modification Proposal P172	-	25.08.2004	-	http://www.elexon.co.uk/documents/Change_and_Implementation/CVA_-_Circulars/P172.pdf
7	Modification Proposal P173	-	25.08.2004	-	http://www.elexon.co.uk/documents/Change_and_Implementation/CVA_-_Circulars/P173.pdf
8	Modification Proposal P177	-	04.10.2004	-	http://www.elexon.co.uk/documents/modifications/177/P177.pdf

9	CUSC Amendment Proposal 76	-	12.08.2004	-	http://www.nationalgrid.com/uk/indinfo/cusc/admin/scripts/uploads/CAP076 - Treatment of System to Generator Intertripping Schemes.pdf
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ANNEX 1 LEGAL TEXT

See Attachment 1

ANNEX 2 MODIFICATION GROUP DETAILS

Membership

The membership of the PSMG for the purposes of P175 is indicated in the table below. The columns to the right provide an attendance record.

Member	Organisation	15/10	12/11	22/11	30/11
Sarah Parsons	ELEXON (Chairman)	✓	✓	✓	✓
Roger Salomone	ELEXON (Lead Analyst)	✓	✓	✓	✓
Bill Reed	RWE Trading (Proposer)	✓	✓	✓	✓
Mark Brackley	National Grid	✓	✓	✓	✓
Garth Graham	Scottish and Southern	✓	✓	✓	✓
Man Kwong Liu	SAIC	X	✓	✓	✓
Paul Jones	E.On Uk	✓	✓	✓	X
Mark Manley	BGT	✓	✓	✓	✓
Helen Bray	EDF	X	✓	✓	X
Martin Mate	British Energy	✓	✓	X	✓

In addition to the members of Modification Group, the following persons attended one or more meetings:

Attendee	Organisation	15/10	12/11	22/11	30/11
Thomas Bowcutt	ELEXON	X	✓	✓	Part
Simon Bradbury	Ofgem	✓	✓	✓	✓
Fiona Lewis	Ofgem	✓	✓	✓	✓
Mark Duffield	National Grid Transco	✓	✓	✓	✓
Jan Devito	Jade Energy	X	✓	✓	X
Rekha Patel	Conocophillips	X	✓	X	X
Sanjukta Round	Cornwall Consulting	X	✓	✓	X

Barbara Vest	GDF	X	✓	X	X
Keith Munday	Bizz Energy	X	X	✓	X
Paul Chesterman	EDF Energy	X	X	X	✓

Terms of Reference

The Assessment Procedure Terms of Reference provided by the Panel required the PSMG to consider in relation to P175:

- Interaction with P171, P172, P173 and P177:** P171, P172 and P173 all seek to amend the treatment of Emergency Instructions under the Code. P177 seeks to remove the provisions relating to intertrips from the BSC such that an Acceptance would no longer be created to represent the action within Settlement. P177 has been raised as a consequence of Connection and Use of System Code (CUSC) Amendment Proposal CAP076 which proposes compensation mechanism for intertrips under the CUSC. P175 addresses a number of similar issues to each of these Modification Proposals. At the current time it is unclear whether or not these interacting Modification Proposals (or any arising Alternative Modifications) could be implemented independently or whether any combination of one or more is mutually exclusive.
- Scope:** P175 seeks to apply a set of provisions to Acceptances created within the BSC as result of certain instructions issued under the Grid Code. Under the existing baseline, the P175 arrangements would only apply to intertrips and Emergency Instructions. However, it is the intention of the Proposer that the P175 arrangements would apply to all deemed Grid Code Acceptances. Therefore, the scope and approach for future proofing P175 needs to be fully assessed.
- Solution Development:** Several elements of the P175 solution require further development and assessment; and
- Historic Modification Proposals in this area:** The relatively broad scope of P175 (covering Emergency Instructions, intertrips and potentially other events) means the proposal addresses issues covered by a number of previous Modification Proposals. Therefore, it is appropriate to consider P175 in light of the views previously expressed by the Authority on these issues.

ANNEX 3 ASSESSMENT REPORT

See Attachment 2

ANNEX 4 CLARIFICATION OF COSTS

There are several different types of costs relating to the implementation of Modification Proposals. ELEXON implements the majority of Approved Modifications under its CVA or SVA Release Programmes. These Programmes incur a base overhead which is broadly stable whatever the content of the Release. On top of this each Approved Modification incurs an incremental implementation cost. The table of estimated costs of implementing the Proposed/Alternative Modification given in section 2 of this report has three columns:

- **Stand Alone Cost** – the cost of delivering the Modification as a stand alone project outside of a CVA or SVA Release, or the cost of a CVA or SVA Release with no other changes included in the Release scope. This is the estimated maximum cost that could be attributed to any one Modification implementation.
- **Incremental Cost** - the cost of adding that Modification Proposal to the scope of an existing release. This cost would also represent the potential saving if the Modification Proposal was to be removed from the scope of a release before development had started.
- **Tolerance** – the predicted limits of how certain the cost estimates included in the template are. The tolerance will be dependent on the complexity and certainty of the solution and the time allowed for the provision of an impact assessment by the Service Provider(s).

The cost breakdowns are shown below:

PROGRESSING MODIFICATION PROPOSAL	
Meeting Cost	This is the cost associated with holding Modification Group meetings and is based on an estimate of the travel expenses claimed by Modification Group members.
Legal/expert Cost	This is the cost associated with obtaining external expert advice, usually legal advice.
Impact Assessment Cost	Service Provider Impact Assessments are covered by a pre-determined monthly contractual charge. Therefore the cost included in this report is an estimate based on the level of impact assessment that the modification is expected to require and may not reflect the actual cost attributed to the modification, which will be based on a percentage of the contractual impact assessment costs for each month that it is assessed.
ELEXON Resource	This is the ELEXON Resource requirement to progress the Modification Proposal through the Modification Procedures. This is estimated using a standard formula based on the length of the Modification Procedure.

SERVICE PROVIDER⁷ COSTS	
Change Specific Cost	Cost of the Service Provider(s) Systems development and other activities relating specifically to the Modification Proposal.
Release Cost	Fixed cost associated with the development of the Service Provider(s) Systems as part of a release. This cost encompasses all the activities that would be undertaken regardless of the number or complexity of changes in the scope of a release. These activities include Project Management, the production of testing and deployment specifications and reports and various other standard release activities.

⁷ A Service Provider can be a BSC Agent or a non-BSC Agent, which provides a service or software as part of the BSC and BSC Agent Systems. The Service Provider cost will be the sum of the costs for all Service Providers who are impacted by the release.

<p>Incremental Release Cost</p>	<p>Additional costs on top of base Release Costs for delivering the specific Modification Proposal. For instance, the production of a Test Strategy and Test Report requires a certain amount of effort regardless of the number of changes to be tested, but the addition of a specific Modification Proposal may increase the scope of the Test Strategy and Test Report and hence incur additional costs.</p>
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<p>IMPLEMENTATION COSTS</p>	
<p>External Audit</p>	<p>Allowance for the cost of external audit of the delivery of the release. For CVA BSC Systems Releases this is typically estimated as 10% of the total Service Provider Costs, with a tolerance of +/- 20%. At present the SVA Programme does not use an external auditor, so there is no External Audit cost associated with an SVA BSC Systems Release.</p>
<p>Design Clarifications</p>	<p>Allowance to cover the potential cost of making any amendments to the proposed solution to clarify any ambiguities identified during implementation. This is typically estimated as 5% of the total Service Provider Costs, with a tolerance of +/- 100%.</p>
<p>Additional Resource Costs</p>	<p>Any short-term resource requirements in addition to the ELEXON resource available. For CVA BSC Systems Releases, this is typically only necessary if the proposed solution for a Modification Proposal would require more extensive testing than normal, procurements or 'in-house' development.</p> <p>For SVA BSC Systems Releases, this will include the management and operation of the Acceptance Testing and the associated testing environment.</p> <p>This cost relates solely to the short-term employment of contract staff to assist in the implementation of the release.</p>
<p>Additional Testing and Audit Support Costs</p>	<p>Allowance for external assistance from the Service Provider(s) with testing, test environment and audit activities. Includes such activities as the creation of test environments and the operation of the Participant Test Service (PTS). For CVA BSC Systems Releases, this is typically estimated as £40k per release with at tolerance of +/-25%. For SVA BSC Systems Releases this is estimated on a Modification Proposal basis.</p>

<p>TOTAL DEMAND LED IMPLEMENTATION COSTS</p>
<p>This is calculated as the sum of the total Service Provider(s) Cost and the total Implementation Cost. The tolerance associated with the Total Demand Led Implementation Cost is calculated as the weighted average of the individual Service Provider(s) Costs and Implementation Costs tolerances. This tolerance will be rounded to the nearest 5%.</p>

<p>ELEXON IMPLEMENTATION RESOURCE COSTS</p>
<p>Cost quoted in man days multiplied by project average daily rate, which represents the resources</p>

utilised by ELEXON in supporting the implementation of the release. This cost is typically funded from the "ELEXON Operational" budget using existing staff, but there may be instances where the total resources required to deliver a release exceeds the level of available ELEXON resources, in which case additional Demand Led Resources will be required.

The ELEXON Implementation Resource Cost will typically have a tolerance of +/- 5% associated with it.

ONGOING SUPPORT AND MAINTENANCE COSTS	
ELEXON Operational Cost	Cost, in man days per annum multiplied by project average daily rate, of operating the revised systems and processes post implementation.
Service Provider Operation Cost	Cost in £ per annum payable to the Service Provider(s) to cover staffing requirements, software or hardware licensing fees, communications charges or any hardware storage fees associated with the ongoing operation of the revised systems and processes.
Service Provider Maintenance Cost	Cost quoted in £ per annum payable to the Service Provider(s) to cover the maintenance of the amended BSC Systems.

ANNEX 5 CONSULTATION REPONSES

See Attachment 3