

INITIAL WRITTEN ASSESSMENT for Modification Proposal P166 Removal of unintentional effects of P123 to allow Supplier BM unit DC values to be revised downwards during a BSC Season

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RECOMMENDATIONS

On the basis of the initial assessment BSCCo recommends that the Balancing and Settlement Code Panel:

- **DETERMINE that Modification Proposal P166 should be submitted to the Report Phase;**
- **AGREE the Report Phase timetable such that a draft Modification Report should be completed and submitted to the Panel for consideration at its meeting of 13 May 2004;**
- **AGREE that the draft Modification Report should contain a provisional recommendation to the Authority that:**
 - **Proposed Modification P166 should be made; and**
 - **The P166 Implementation Date should be 10 Working Days following an Authority decision that P166 should be made.**

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¹ ELEXON Ltd currently fulfils the role of the Balancing and Settlement Code Company ('BSCCo'), pursuant to Annex X-1 of the Balancing and Settlement Code (the 'Code').

² The current version of the Code can be found at www.elexon.co.uk/ta/bscres/docs/bsc_code.html

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as BSCCo has been able to assess the following parties/documents have been initially identified as being potentially impacted by Modification Proposal P166.

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

1 DESCRIPTION OF PROPOSED MODIFICATION

1.1 Modification Proposal

Modification Proposal P166 'Removal of unintentional effects of P123 to allow Supplier BM Unit DC values to be revised downwards during a BSC Season' (P166) was raised by Bizzenergy on 26 March 2004.

P166 seeks to address an inconsistency in the Balancing and Settlement Code (the Code), introduced with the implementation of legal text for Approved Modification P123 'Assessment of Credit Cover following a change to a Party's portfolio' (P123). P123 was implemented on 27 February 2004.

The Lead Party of a BM Unit is required (pursuant to Section K3.4.1b) to notify to the Central Registration Agent (CRA) the expected maximum magnitude of the negative BM Unit Metered Volume (QM_{ij})³ for each BM Unit for the following BSC Season. By dividing this by the Settlement Period Duration (SPD), this QM_{ij} value is converted into one for the Demand Capacity (DC) for the BM Unit for that BSC Season. Therefore, the DC is an hourly MW value for the anticipated peak energy Metered Volume for the BM Unit in that BSC Season.

P123 introduced the ability for Lead Parties to notify to the CRA a reduced QM_{ij} value for the remainder of the BSC Season up to twice during a BSC Season (introduced by inclusion of Section 3.4.2A); hence, the DC value for the remainder of the BSC Season would be reduced as a result.

The inconsistency detailed in P166 arises as a result of Section K3.4.5, which was part of the Code before and after P123 was implemented. This paragraph obliges Parties to declare to the CRA, as soon as reasonably practicable, when they became aware that tolerances detailed in Section K3.4.3 have been exceeded. These tolerances are that the QM_{ij} , divided by the SPD to equate the units, will be less than the DC value by 0.5MW or 1% of the magnitude of DC for any Settlement Period in the relevant BSC Season. These tolerances are therefore applied retrospectively, as well as prospectively, across the relevant BSC Season.

If a Party has decreased its DC during the BSC Season, and has already achieved a QM_{ij} greater than the revised value, the Party is immediately obligated to increase the peak $|QM_{ij}|$ value for the BSC Season.

The fact that the tolerances in Section K3.4.5 apply across the whole BSC Season, rather than across the remainder of the BSC Season after a revised DC value has been accepted (pursuant to section K3.4.2A), means that the intention of Approved Modification P123 may not be realised in many cases. Many DC decreases, allowed by P123, would need to be immediately revised upwards by virtue of Section K3.4.5.

P166 therefore seeks to remove the defect by amending the legal text, such that the tolerances are applied for the Settlement Periods in the **remainder** of the BSC Season, if DC has been reduced mid-BSC Season. This will put the intention of P123 into full effect.

Panel paper 71/023 (Reference 2) was presented to the Balancing and Settlement Code Panel (the Panel) at its meeting on 15 January 2004, describing the inconsistency and its effect on the implementation of P123. The paper notes that the intent of P123 was made clear in the Modification Report (Reference 1), but that this inconsistency was such that the Panel was unable to raise a Modification Proposal to remedy the defect. The Panel invited a Party to raise a Modification Proposal. The Proposer of P123 (Bizzenergy) consequently raised P166 to address this inconsistency.

The Proposer asserts that P166 seeks to better facilitate the efficient operation of the Code (Applicable BSC Objective d) by removing the obligation on Parties to re-revise the expected peak QM_{ij} (and hence, DC) when trying to use the provisions implemented by P123.

³ References to QM_{ij} within this document refer to negative QM_{ij}

1.2 Issues raised by the Modification Proposal

An initial assessment of P166 has identified the following potential areas of impact and issues which will need to be considered and addressed.

The amendments required to give effect to P166 have limited scope, namely:

- The Code, Section K, 'Classification and Registration of Metering Systems and BM Units', requires minor amendment to remove the circularity in amendments to DC, such that the obligations to increase the magnitude of DC, set out in Section K3.4.3, apply to any Settlement Period in the relevant BSC Season, ***or to the remainder of Settlement Periods in the relevant BSC Season where the DC has been decreased in accordance with Section K3.4.2A;***
- The change to the Code may have a minimal impact on ELEXON Service Delivery, including minor amendment to Local Working Instructions for monitoring Demand Capacity values in a BSC Season; and
- Suppliers may be impacted by the removal of the obligation to increase DC to the peak of the BSC Season, even where they have been allowed to decrease the DC in accordance with the P123 mechanism. An impact assessment was issued to Parties during the Assessment Procedure of P123. The responses indicate minimal impact from implementation of P123, and since P166 remains within the same scope, it is believed that this impact assessment is equally valid for P166.

It is not believed that P166 requires any further definition, as both the defect and the proposed solution are clear. Therefore BSCCo are not recommending that P166 be submitted to the Definition Procedure.

Furthermore, it is not believed that P166 raises any issues that require further assessment by a Modification Group. P166 has been raised as a consequence of a well documented inconsistency in the legal drafting for Approved Modification P123. P123 underwent a full assessment under its own Assessment Procedure, including an assessment consultation, and was also the subject of a subsequent consultation during the Report Phase. Since the purpose of P166 is to give full effect to P123 by addressing the clear inconsistency in the legal drafting, it is BSCCo's opinion that there are no new issues arising that require further assessment. Therefore, BSCCo is not recommending that P166 be submitted to the Assessment Procedure.

On the basis that the defect P166 seeks to address has been fully assessed during the Modification Procedures for P123, BSCCo recommends that P166 be submitted directly to the Report Phase, during which Parties will be consulted on the draft legal text for P166.

BSCCo further recommends that a draft Modification Report be prepared, including the legal drafting for P166. BSCCo recommends that the draft Modification Report should contain a provisional recommendation by the Panel that:

1. Proposed Modification P166 should be made; and
2. The Implementation Date for P166 should be 10 Working Days following an Authority decision that P166 should be made.

2 COSTS

PROGRESSING MODIFICATION PROPOSAL P166	
Demand Led Cost	£0
ELEXON Resource	15 man days £2,870

3 INITIAL ASSESSMENT OF IMPACTS OF MODIFICATION PROPOSAL

3.1 Impact on BSC Systems and processes

An initial assessment has been undertaken in respect of all BSC Systems and processes and no impact has been identified from the implementation of Modification Proposal P166.

3.2 Impact on other systems and processes used by Parties

An initial assessment has been undertaken in respect of systems and processes used by Parties and the manual process for declaring DC has been identified as potentially being impacted by Modification Proposal P166. However, since the process is manual, the impact is expected to be minimal, and furthermore, since P166 removes some confusing circularity in the DC declaration process (as described in section 1.1), the impact is expected to be beneficial.

System / Process	Potential Impact of Proposed Modification P166
Manual process for declaring DC	<p>Suppliers are beneficially impacted by the removal of the circularity of the obligations in respect of declaring DC for a BSC Season. Furthermore, since this is a manual process, it is envisaged that the impact is minimal.</p> <p>MC00056 (an Impact Assessment Request) was issued to Parties during the P123 Assessment Procedure. The responses indicate minimal impact from implementation of P123, and since P166 remains within the same scope, it is believed that this impact assessment is equally valid for P166.</p>

3.3 Impact on documentation

3.3.1 Impact on Balancing and Settlement Code

An initial assessment has been undertaken in respect of all Sections of the Code and Section K 'Classification and Registration of Metering Systems and BM Units' has been identified as being impacted by Modification Proposal P166.

Item	Potential Impact of Proposed Modification P166
K	<p>Impacted by the amendment to remove the circularity in the obligations in respect of registering DC within a BSC Season. It is expected that Section K3.4.3 and/or Section K3.4.5 will require amendment.</p> <p>Draft legal text will be developed during the Report Phase for P166.</p>

3.3.2 Impact on Code Subsidiary Documents

An initial assessment has been undertaken in respect of all Code Subsidiary Documents and no Code Subsidiary Documents are impacted by Modification Proposal P166.

3.4 Impact on Core Industry Documents

An initial assessment has been undertaken in respect of Core Industry Documents and no Core Industry Documents are impacted by Modification Proposal P166.

3.5 Impact on other configurable items

An initial assessment has been undertaken in respect of other configurable items and no other configurable items are impacted by Modification Proposal P166.

4 IMPACT ON BSCCO

An initial assessment has been undertaken in respect of BSCCo and the following area has been identified as being impacted by Modification Proposal P166.

Area of Business	Potential Impact of Proposed Modification
BSCCo Systems	No impact
BSCCo Procedures	BSCCo Local Working Instructions are impacted by the amendment to remove the circularity in the obligations in respect of declaring DC for a BSC Season; specifically, the obligations stipulated in Section K3.4.3 and Section K3.4.5.
BSCCo Contracts (Excluding BSC Agent Contracts)	No impact
Other (e.g. costs, staffing, etc.)	No impact

5 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

An initial assessment has been undertaken in respect of BSC Agent contractual arrangements and none are impacted by Modification Proposal P166.

6 RATIONALE FOR BSCCO'S RECOMMENDATIONS TO THE PANEL

The detailed rationale for BSCCo's recommendations is provided in section 1.1 and 1.2 of this document. However, in summary:

1. On the basis that the defect P166 seeks to address has been fully assessed during the Modification Procedures for P123, BSCCo recommends, on the grounds of efficiency of process and for the rationale set out above, that P166 be submitted directly to the Report Phase, such that Parties are consulted on the draft legal text for P166, required to give full effect to Approved Modification P123;
2. BSCCo also recommends that the draft Modification Report should contain a provisional recommendation from the Panel that:
 - a. Proposed Modification P166 should be made. BSCCo makes this recommendation in respect of P166, as P166 is giving full effect to Approved Modification P123, and therefore the principle associated with the P166 amendment has previously been considered and agreed by a Modification Group, the Panel and the Authority; and
 - b. The Implementation Date for P166 should be 10 Working Days following an Authority decision that P166 should be made, in order to allow time for BSCCo Local Working Instructions to be amended, and to enable the amendments to the Code to be made and prepared for distribution.

7 PROCESS, TIMETABLE AND COST FOR PROGRESSING THE MODIFICATION PROPOSAL

BSCCo recommends that Modification Proposal P166 proceed directly to the Report Phase, with provisional recommendations that Proposed Modification P166 be made, and with an Implementation Date of 10 Working Days following the Authority decision.

It is proposed that following consideration of P166 by the Panel at its meeting of 8 April 2004, the draft Modification Report is prepared and consulted on such that the responses are received in time for consideration of the draft Modification Report (including the consultation responses) by the Panel at its meeting of 13 May 2004.

It is estimated that 15 man days of ELEXON effort is required to progress P166 through the Modification Procedures, mainly in respect of preparing the draft Modification Report and in incorporating consultation responses into the draft Modification Report for the Panel.

A Gantt chart is provided in Annex 4, setting out the timetable for progressing P166.

8 DOCUMENT CONTROL

8.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	31/04/04	Change Delivery	-	-
0.2	01/04/04	Change Delivery	Sarah Parsons	Technical review
0.3	01/04/04	Change Delivery	Richard Hall	Quality review
1.0	02/04/04	Change Delivery	The Panel	For decision

8.2 References

Ref No.	Document Title	Owner	Issue Date	Version
1	P123 Final Modification Report	ELEXON	15 August 03	FINAL V1.0
2	Panel Paper 71/023 'Operational Issue in Application of Section K: 'Classification and Registration of Metering Systems and BM Units''	ELEXON	10 January 2004	FINAL

ANNEX 1 MODIFICATION PROPOSAL

Modification Proposal	MP No: 166 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Removal of unintentional effects of P123 to allow Supplier BM unit DC values to be revised downwards during a BSC Season.	
Submission Date <i>(mandatory by proposer):</i> 26 March 2004	
Description of Proposed Modification <i>(mandatory by proposer):</i> When P123 was implemented the legal text included a loophole that will not let a Supplier decrease the value QMij for a BM unit (and hence DC) in a BSC Season if the QMij value has already been achieved. The reason for this is that the tolerances are applied both prospectively and retrospectively across a BSC Season. This modification seeks to remove this effect by allowing the tolerances in section 3.4.3 (b) to be applied for the remainder of the BSC Season if the changes to QMij for a Supplier BM unit have been made in accordance with paragraph 3.4.2A (ie the changes introduced by P123). This will put the intention of P123 into full effect.	
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i> Currently clause K3.4.5 places an obligation on the Lead Party of a BM Unit to notify a revised value of QMij where they become aware that they have exceeded tolerances in paragraphs K3.4.3(a) or (b), or on an occasion where they choose to exercise their right under K3.4.2A, as introduced by P123. Modification P123 amended section K3.4.5 to allow revisions to QMij in accordance with K3.4.2A, which allows a Supplier to notify decreases in the value of QMij for the remainder of the BSC Season. However, as was highlighted in Panel paper 71/023, an oversight was made and clause K3.4.3(b) was not changed. Currently K3.4.3(b) sets out negative QMij tolerances applicable throughout the relevant BSC season. The issue here is that these tolerances are to be applied 'in the relevant BSC Season'. Where the Lead Party of a Supplier BM Unit has exercised their right under K3.4.2A to downwardly revise the magnitude of their negative QMij declaration within the relevant BSC Season, the tolerances in K3.4.3(b) will be applied to establish whether their QMij has exceeded their new declaration at any point within the BSC Season, not simply during that proportion of the BSC Season during which a new QMij declaration is effective. This means that the Lead Party of a Supplier BM Unit exercising their right to reduce the magnitude of their negative QMij during a BSC Season, pursuant to K3.4.2A, may immediately accrue an obligation to notify a revised value of negative QMij, pursuant to the interaction between K3.4.3(b) and K3.4.5. This would occur if their revised reduced negative QMij value (applicable for the remainder of the relevant BSC Season) was exceeded during the earlier part of the BSC Season before their portfolio change. The only clear method by which this new obligation could be discharged would be by increasing the magnitude of their negative QMij up to a level equivalent to the peak negative QMij value experienced prior to their reduction in portfolio It is clear from the P123 Modification Report that the Modification Group wished for the accuracy tolerances detailed in K3.4.3(b) to remain in place unchanged, in order to provide assurance against a Party under-declaring QMij values for the remainder of the season but it was our understanding that this was based on an assumption that these existing tolerances would only be applied for the remainder of the BSC season, therefore allowing DC values to be decreased within season as was the intent of P123.	
Impact on Code <i>(optional by proposer):</i> Section K will require minor amendments	

Modification Proposal	MP No: 166 <i>(mandatory by BSCCo)</i>
Impact on Core Industry Documents <i>(optional by proposer):</i> None identified	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i> None identified	
Impact on other Configurable Items <i>(optional by proposer):</i> None identified	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i> This modification seeks to promote the efficient operation of the BSC (objective d) by removing the obligation on Parties and BSCCo to revise QMij/DC in a circular fashion when trying to use the provisions implemented by P123.	
Details of Proposer: Name: Keith Munday Organisation: BizzEnergy Telephone Number: 07976651122 Email Address: keithm@bizzenergy.com	
Details of Proposer's Representative: Name: Keith Munday Organisation: BizzEnergy Telephone Number: 07976651122 Email Address: keithm@bizzenergy.com	
Details of Representative's Alternate: Name: Joanne Ellis Organisation: Cornwall Consulting Telephone Number: 07717 603569 Email Address: joanne.ellis@cornwall-consulting.co.uk	
Attachments: NO If Yes, Title and No. of Pages of Each Attachment:	

ANNEX 2 LEGAL DRAFTING FOR PROPOSED MODIFICATION P166

Draft legal text will be developed during the Report Phase.

ANNEX 3 CLARIFICATION OF COSTS

PROGRESSING MODIFICATION PROPOSAL	
Demand Led Cost	This is the third party cost of progressing a Modification Proposal through the Modification Procedures in accordance with Section F of the Code. Service Provider Impact Assessments are covered by a contractual charge and so the Demand Led cost will typically be zero unless external Legal assistance or external consultancy is required.
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.

ANNEX 4 GANTT CHART

