Change Proposal – BSCP40/02	CP No: CP1400 *Version No:v0.1* *(mandatory by BSCCo)*

Title *(mandatory by originator)*

Amendment of the System Energy flag via BSCP18.

Description of Problem/Issue *(mandatory by originator)*

Occasionally data correction is required in the Settlement Administration Agent (SAA) system, with BSCP18[1] defining the process. BSCP18 allows the modification of Bid-Offer data.

When Modification Proposal P217[2] was implemented in November 2009, the file that is amended under BSCP18 was modified to incorporate a system[3] flag, which takes the value of True or False. Since then the files have been named BOALF (Bid-Offer-Acceptance-Level-Flagged). BSCP18 does not allow the later correction of the System Flag if an error occurs at the time of issue.

P217 introduced a process for the System Operator (SO) to flag individual Bid-Offer Acceptances (BOA) if accepted for system reasons, in real-time. BOAs flagged as system are removed from cashout price calculations. The P217 workgroup developed the flagging solution as a pragmatic way to reduce pollution of cashout prices by system actions. At this time the resource implications of real time flagging by the SO was not fully quantifiable and thus amendment of the flag to correct errors was not envisaged by the P217 group.

As part of P217, Ofgem introduced a licence condition for National Grid to produce a System Management Action Methodology (SMAF) statement; this document sets out the situations under which National Grid will flag BOAs as system actions. National Grid is also required to review the flagging process and produce a report detailing the accuracy of the SMAF process on an annual basis. The latest report covered the 12 month period to 30th April 2012 and found that the potentially flagging error is only around 1% of all BOAs issued[4], the potential impact of these errors was not found to have a material impact on system buy and sell prices. Previous reports have also found no material impact on system prices following flagging errors.

The report for the period 1st May 2012 to 30th April 2013 has not yet been formally published; however, a flagging error caused a significant impact on cashout prices on 26th April 2013 for settlement periods 31 and 32. The System Sell Price was depressed for these periods from around £38/MWh to £18/MWh (~52% reduction) and £-54/MWh (~242% reduction) respectively because a BOA was not flagged as a system action. Whilst this flagging error was identified shortly after it occurred, there exists no process to correct incorrect flagging. A process to correct a flag error is also needed in light of Ofgem's Electricity Balancing Significant Code Review (EBSCR) under which the cashout price may be set by the marginal MW.

[1] BSCP18 - Corrections to Bid-Offer Acceptance Related Data

[2] Revised Tagging Process and Calculation of Cash Out Prices

[3] System actions are those National Grid as SO takes because of constraint management reasons rather than energy actions which are taken to balance supply / demand

[4] Page 19 - https://www.ofgem.gov.uk/ofgem-publications/40803/p217a-preliminary-analysis.pdf

This CP proposes that BSCP18 and settlement systems are amended such that National Grid can submit updated BOALF files in which system action flags have been changed from True to False (and vice versa) and that these updated files are fed through to cashout calculations.

Proposed Solution *(mandatory by originator)*

This CP proposes that:

BSCP18 (and settlement systems) are amended to allow the Transmission Company to submit an amended BOALF file in which the SO-Flagged field has been corrected from True to False and vice versa. The correction of the flag should not require the agreement of any BSC party as it does not directly impact the volume or cash flow from the amended BOA or BOAs.

The SMAF statement, which sets out the situation under which the Transmission Company will assign a flag, currently states that National Grid will not amend incorrect SO-Flags applied to BOAs. Therefore in conjunction with this change proposal National Grid will progress a change to the SMAF statement to state that the flag may be changed and specify under what conditions this would be carried out.

The change process for the SMAF statement will include a consultation with industry parties, following which National Grid will produce a report for Ofgem summarising industry views to the proposed change. Ofgem will ultimately have to approve any change to the SMAF statement.

Justification for Change *(mandatory by originator)*

This CP will improve efficiency; it will allow incorrect system flags, which have a material impact on system prices, to be corrected. It will ensure that cashout prices more accurately reflect energy prices and are not polluted by system costs.

To which section of the Code does the CP relate, and does the CP facilitate the current provisions of the Code? *(mandatory by originator)*

BSC Section Q – 'Balancing Mechanism Activities', Sub-section 5 – Balancing Mechanism Bid-Offer Acceptance
BSC Section U – 'Provisions Relating to Settlement', Sub-section 2.5 - Data used in Settlement

The CP facilitates the current provisions of the BSC.

Estimated Implementation Costs *(mandatory by BSCCo)*

25 ELEXON man days equating to £6000 and approximately £29,500 for Demand Led system changes.

The total cost to implement CP1400 would therefore be approximately £35,500.

Configurable Items Affected by Proposed Solution(s) *(mandatory by originator)*

BSCP18 – 'Correction to Bid-Offer Acceptance Related Data'

Impact on Core Industry Documents or System Operator-Transmission Owner Code *(mandatory by originator)*

National Grid's SMAF statement will have to be amended alongside this Change Proposal.

Related Changes and/or Projects *(mandatory by BSCCo)*

CP1392 'BSCP18 Bid-Offer Acceptance Related Data Corrections to the SAA system via Electronic File Transfer method (BMRA-I002) instead of manual Email method (SAA-I033).'

The change of flagging proposed under this CP will be captured by the requirement of CP1392, i.e. flag changes would also be sent electronically (assuming implementation of CP1392). In the interim this CP would apply to the manual process currently in place, however if CP1392 was rejected, this CP would remain a manual process.

Requested Implementation Date ***(mandatory by originator)***

This CP is requested to be implemented as soon as possible.

The requested implementation date is therefore 26 June 2014 as part of the June 2014 BSC Systems Release as this is the next available Release.

The effective date of any new SMAF statement will set out the date from which National Grid will start to submit corrected system flags.

Version History ***(mandatory by BSCCo)***

v1.0 of CP1400 was issued on 27 September 2013

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CP1400_BSCP18 redlined v0.1 (*8 pages*)