

MODIFICATION REPORT for Modification Proposal P232 'Black Start and Fuel Security Compensation and Single Imbalance Price Derivation'

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.²

Proposed Modification P232 seeks to improve transparency regarding the compensation arrangements pursuant to a Black Start Period or Fuel Security Code (FSC) event. It also develops a methodology for the calculation of the Single Imbalance Prices (SIP) which would apply for the Settlement Periods contained within a Black Start Period or FSC event. Section G of the Balancing and Settlement Code (BSC) provides high level details of the compensation arrangements associated with a Black Start Period or FSC incident, however, certain areas would benefit from further clarification. In addition to providing clarification, the Proposed Modification allows an extra 60 Business days (after the submission of a claim) for a Party to submit extra evidence for the Panel to consider.

Alternative Modification P232 differs from the Proposed in the process for determining the timetable for claims submission by excluding the extra 60 Business Days (after the submission of a claim) for a Party to submit additional evidence for the Panel to consider.

Another draft Modification Report regarding the BSC procedures to be followed under a Black Start or FSC event (P231) was issued in parallel with this document for Authority decision.

BSC PANEL'S RECOMMENDATIONS

Having considered and taken into due account the contents of the P232 draft Modification Report, the BSC Panel recommends:

- **that Proposed Modification P232 should not be made;**
- **that Alternative Modification P232 should be made;**
- **for Proposed Modification P232 to be implemented in the next BSC Systems Release at least four months after an Authority decision has been received;**
- **for Alternative Modification P232 to be implemented in the next BSC Systems Release at least four months after an Authority decision has been received; and**
- **the proposed text for modifying the Code, as set out in the Modification Report.**

¹ ELEXON Ltd fulfils the role of the Balancing and Settlement Code Company ('BSCCo').

² The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>

CONTENTS TABLE

Summary of Impacted Parties and Documents	3
1 Summary	4
2 P232 Solution	6
2.1 Proposed Modification	6
2.2 Alternative Modification	8
3 Implementation	8
3.1 Implementation Approach	8
3.2 Implementation Costs	9
4 Rationale for Modification Group’s Recommendations to the Panel	10
4.1 Conclusions	10
4.2 P232 Quantifying benefits in financial terms	10
4.3 Assessment of Modification Against Applicable BSC Objectives:	11
4.4 Implementation Date	13
4.5 Legal Text	13
5 Rationale for Panel’s Recommendations to the Authority	13
5.1 Panel’s Consideration of Assessment Report	13
5.2 Results of Report Phase Consultation	15
5.3 Panel’s Consideration of Draft Modification Report	16
5.4 Panel’s Final Recommendation to the Authority	17
6 Terms Used in this Document	17
7 Document Control	18
7.1 Authorities	18
7.2 References	18
Appendix 1: Legal Text	19
Appendix 2: Process Followed	19
Appendix 3 Areas Raised by the Terms of Reference	20
Appendix 4: Assessment Report	20
Appendix 5: Report Phase Consultation Responses	21
Appendix 6: Estimated Impact of Modification on Systems, Processes, and Documentation.	21

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as Modification Group has been able to assess, the following parties/documents would be impacted by P232.

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

1 SUMMARY

Background

P232 has been raised by National Grid and the P232 solution is based on the discussions from Issues 32 'Black Start' and 33 'Fuel Security Code', to provide transparency with respect to the compensation arrangements BSC Parties are to follow in an event of a Black Start Period or FSC event, and to develop a methodology for the calculation of a Single Imbalance Price, which can be applied during a Black Start Period or FSC event.

Impacts:

- **BSC Parties:** The Transmission Company, Generators, Suppliers, Licence Exemptable Generators and BSCCo.
- **BSC Agents:** SAA

Implementation Costs

Central implementation costs:

£6,820 for implementation as part of a BSC Systems Release

£14,520 for implementation as a stand-alone Release

(further cost savings are expected if P232 is to be implemented in conjunction with P231)

Operational Costs (per year): £0

Supplier/Supplier Agent implementation costs: £0

Implementation approach

The Group recommend an Implementation Date for the Proposed Modification for the next planned BSC Systems Release which falls at least 4 months after an Authority Decision has been received.

The Group's preference is that P232 be included in the November 2009 BSC release together with P231, so as to realise the benefits of these modifications as soon as possible.

Further details can be found in Section 4.

Modification Group's identified Benefits and Drawbacks under Applicable BSC Objectives (b), (c) and/or (d)

Benefits:	Drawbacks:
<ul style="list-style-type: none"> • The implementation of P232 will result in a more transparent price setting mechanism and clearer compensation arrangements when a Black Start Period or FSC event occurs, thereby providing market participants a more efficient and cost effective process under the BSC; • It will mean a greater understanding for participants who need to recover costs, by improving the efficiency of the claims process, and providing clarity of their role; and • Whilst noting the requirement for participants to comply with instructions from the Transmission Company, P232 would, by virtue of making the claims process more transparent, provide less incentive to deviate from those instructions for commercial reasons. 	<p>There are no foreseen drawbacks</p>

Modification Group's Final Recommendation

The Modification Group recommends that the BSC Panel agrees that:

- **Proposed Modification P232 should not made; and**
- **Alternative Modification P232 should be made.**

2 P232 SOLUTION

This section outlines the solution for the Proposed Modification and the Alternative Modification, as developed by the P232 Modification Group ('the Group') during the Assessment Procedure.

For a full description of the original Modification Proposal as submitted by National Grid ('the Proposer'), and the background to the proposal, please refer to the P232 Initial Written Assessment (IWA).

2.1 Proposed Modification

2.1.1 Single Imbalance Price

P232 seeks to introduce a Single Imbalance Price calculation methodology for Settlement Periods which fall under a Black Start Period or FSC event by expanding BSC Section T1.6 to state that:

- a Single Imbalance Price should be derived by taking the mean of the System Buy Price (SBP) and System Sell Price (SSP) for a given Settlement Period over a pre-defined number of days (no contract notifications or Bids or Offers would be included) in order to seek to determine a 'proxy' for the bulk price of electricity during the Black Start Period or FSC event;
- the default approach would be to use the data over the previous 30 Settlement Days. However a Settlement Period that was subject to a FSC event or instruction, a Black Start Period or an Emergency Instruction would not be used and would be replaced with another appropriate historical Settlement Period;
- a Single Imbalance Price would be calculated for each of the 48 Settlement Periods in a Settlement Day. The relevant price from those 48 Settlement Periods would be used for the corresponding Settlement Period that occurs during the FSC event or Black Start Period. This means that each full Settlement Day within the FSC event or Black Start Period would have the same set of 48 prices, although the price may differ between Settlement Periods;
- the Panel would determine an alternative pricing methodology if the Panel deemed it to be more appropriate as a 'proxy' for the bulk price of electricity during the Black Start Period or FSC event;
- once the methodology has been agreed for the entire Black Start Period or FSC event, any review of the methodology which results in an adjustment, can be implemented going forward only (not retrospectively once it has first been agreed); and
- for Clock Change days that occur during the Black Start Period or FSC event, Settlement Periods 3 and 4 shall be excluded for a short day and be used twice for a long day. For Clock Change days that occur during the historical period, the period shall be increased to 31 days with the Clock Change day being discounted.

See Appendix 5 for details of other pricing options discussed by the P232 Group.

2.1.2 Compensation Arrangements

Operational Costs

'Warm up' or 'Hot Standby' Costs incurred when there is no corresponding change (a "relevant change") in Imports or Exports are allowed to be claimed as 'Avoidable Costs' (as defined in the BSC) for Lead Parties of BM Units who have received an Emergency Instruction under a Black Start Period.

Claim Application Process

- An application for compensation can be made:

- in the case of a Black Start Period, by the Lead Party of BM Units who have received an Emergency Instruction during that Black Start Period (to clarify, any instruction from National Grid during a Black Start Period is to be considered an Emergency Instruction for the purposes of Black Start compensation); or
 - in the case of a FSC event, by the Lead Party of BM Units who have received a direction from the Secretary of State (or, if empowered by the Secretary of State to do so, National Grid) during that FSC event; or
 - in the case of a FSC event, by the Lead Party of BM Units who have received a direction from the Secretary of State (or, if empowered by the Secretary of State to do so, National Grid) which has been made in anticipation of a FSC event, even if the anticipated FSC event does not eventuate.
- An application for compensation can only be made:
 - in the case of Black Start for 'Avoidable Costs' (as defined in the BSC); or
 - in the case of a FSC event for 'Exceptional Costs' (as defined in the FSC) actually incurred (i.e. no advance payments).
- Any application for compensation is to be made up of the Claim form, a Statement of Claim, the total amount (£) being claimed and any supporting evidence;
- Claimants are allowed:
 - 20 Working Days (or such period that the Panel may determine) to submit a claim from the conclusion of a Black Start Period; and
 - 60 Days (or such period that the Panel may determine) to submit a claim from the conclusion of an FSC event (and in-between if required).
- Claimants wishing to request additional time to submit their claim should submit an 'Application to extend allocated time-frame for claim submission' within the above timescales;
- An extra 60 Business Days are to be allowed for the claimant to submit further evidence (although this evidence cannot increase the total amount (£) which was set out in the initial application for compensation to be claimed for);
- The Panel, or the Claims Committee, can ask for any extra evidence or information from the claimant (beyond the timescales set out above) as they see fit;
- Three Claims forms are to be developed, as follows:
 - a Black Start Period Claim form (which must be submitted within 20 Working Days from the end of the Black Start Period);
 - a FSC event Claim form (which must be submitted within 60 Days from the end of the FSC event, or within 60 Days from the end of an anticipation period for an FSC event); and
 - an 'Application to extend allocated time-frame for claim submission' form (which shall be submitted in advance of the deadlines as stated in the two bullet points above (20 Working Days or 60 days)).
- Interim payments (but only for 'Avoidable Costs' or 'Exceptional Costs' actually incurred) shall be applied for, and processed in, the same manner as for total or final claims;
- The Group determined two sets of cost data relating to all claims (and this data alone) are to be published:
 - The total amount (£) received in claim applications; and

- The total amount (£) approved for payment.

Claims Committee for Claim Determination

The Panel may establish a Claims Committee, which shall be chosen by the BSC Panel and may consist of the BSC Panel, for the determination of all applications for compensation received from BSC Parties related to either a Black Start Period or a FSC event. Claims Committee decisions are Panel decisions. The following conclusions were drawn by the P232 Modification Group:

- The BSC Panel, or the Claims Committee as delegated, will determine the process for the determination of each individual claim;
- There are no limits on the use of technical experts or groups of experts to sit on a Claims Committee (or sub committee of the Claims Committee) to provide determinations or advise as to the veracity of the Claims;
- Meetings of the BSC Panel, or the Claims Committee as delegated, to consider Claims shall be confidential;
- Claims shall have a 'zero floor', meaning no negative determination is to be made; and
- Claims can be withdrawn by the Claimant at any stage of the process up until the determination is made.

Cost Recovery

If Ofgem require costs to be recovered under the BSC, the Group recommends use of a funding shares type methodology.

2.2 Alternative Modification

The Alternative Modification is the same as the Proposed Modification; however the fifth bullet point under the Claim Application Process in section 3.1.2 is to be removed, namely:

- An extra 60 Business Days are to be allowed for the claimant to submit further evidence (although this evidence cannot increase the total amount (£) which was set out in the initial application for compensation to be claimed for).

The rationale for the Alternative Modification is all claimable information (the claim, the statement of the claim and the supporting evidence) must be submitted by a definite deadline unless an extension is granted by the Panel, or some other deadline as determined by the Panel. The Group believes the time-scales for claim submission are adequate and already allow for a time extension request. Also, the extra 60 Business Days could slow down the claims determination process and there is already a facility in place for BSC Parties to apply for extra time. Under the Proposed Modification the extra 60 Business Days for evidence cannot lead to an adjustment of the amount claimed for, which could lead to either frustration from Parties who realise they should be claiming more, or Parties over-estimating their claimable amount.

3 IMPLEMENTATION

3.1 Implementation Approach

Responses from the P232 consultation and impact assessment have indicated that there are minimal costs from both the industry and BSC Agents in implementing the P232 solution. This is largely confined to updating internal procedures/Local Working Instructions and processes. There will be a cost associated with the drafting and progression of the new BSCP.

The P232 implementation approach is driven by the lead time for the documentation changes. Development and progression of the new BSCP, to the point of approval, will take 4 months. Therefore implementation is

proposed to be included in the nearest planned BSC Systems Release, which falls at least 4 months after an Authority decision has been received.

P231 and P232 are being progressed to identical timescales as there are cost savings in progressing and implementing P231 and P232 together. The Group has suggested that ideally, a single BSCP should be developed for both the P231 and P232 solution (assuming Authority approval is granted for P231 and P232) containing the BSC details regarding contingency arrangements. However, if required two separate BSCPs could be created, one for P231 and one for P232 respectively.

Rationale for inclusion of guidance in the new BSCP

The single BSCP would be unique in that it would contain all the principles and guidance gathered from the P232 Modification Groups work as well as the structured approach to Code Subsidiary Documents as per the Architecture Principles Document. This would include the following:

- P231 Black Start Recovery Diagram;
- P231 Black Start Recovery Guidance;
- P231 Black Start Recovery processes;
- P231 FSC Guidance;
- P232 Claims Application Process;
- P232 Black Start Period and Fuel Security Code Event Claims Forms;
- P232 Black Start Period or Fuel Security Code Event Request for Time Extension Form;
- P232 draft Claims Committee Terms of Reference; and
- P232 Claims Committee Guidance.

The BSCP would contain in addition to the P231/232 processes, the progress and conclusions of the Modification Group. The Group noted it is unusual to have guidance and a draft Terms of Reference attached to a BSCP, but this is considered an unusual situation and a 'Guidance' Watermark is to be on the relevant pages of the document. This is in contrast to having the same information attached to the Assessment Report or a stand alone guidance note, which has the capacity to lose awareness over time. The Group also recommends the BSCP sits with the Panel, as a single document in a high-profile position will promote regular review and familiarity.

Both Modifications could be implemented as stand alone Modifications if the Authority were to reject either Modification or if it was recommended that P231 and P232 should be implemented separately. However, a more efficient route would be to implement P231 together with P232 and included as part of a standard BSC Systems release.

Further information on the BSCP and its content is available in the [Assessment Report](#), Appendix 4.

3.2 Implementation Costs

There is no cost difference between implementing the P232 Proposed and the P232 Alternative Modifications.

MODIFICATION IMPLEMENTATION COSTS³

³ An explanation of the cost terms used in this section can be found on the BSC Website at the following link: http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

		Stand Alone Cost	Incremental Cost	Tolerance
Total Demand Led Implementation Cost		£ 0	£ 0	N/A
ELEXON Implementation Resource Cost		66 man days £ 14,520	21 man days £ 6,820	+/- 30%
Total Implementation Cost		£ 14,520	£ 6,820	+/- 30%

Please refer to Appendix 6 for all impacts.

4 RATIONALE FOR MODIFICATION GROUP'S RECOMMENDATIONS TO THE PANEL

This section summarises the recommendations of the Modification Group, as detailed in the [Assessment Report](#) in Appendix 4.

4.1 Conclusions

The UNANIMOUS view of the Modification Group is that the Proposed Modification would better facilitate Applicable BSC Objectives (b), (c) and (d) when compared with the existing arrangements. The reasoning provided by the Group is detailed in Section 4.2 below.

The UNANIMOUS view of the Modification Group is that the Alternative Modification would better facilitate Applicable BSC Objectives (b), (c) and (d) when compared with the existing arrangements. The reasoning provided by the Group is detailed in Section 4.2 below.

The MAJORITY view of the Modification Group is that the Alternative Modification would better facilitate Applicable BSC Objectives (c) and (d) when compared with the Proposed Modification. The reasoning provided by the Group is detailed in Section 4.2 below.

The Group, as well as respondents to the P232 impact assessment and consultation agreed to the Implementation approach outlined in Section 3 of this document.

4.2 P232 Quantifying benefits in financial terms

The Group found it difficult to quantify the benefits for P232 in financial terms, however made the following arguments in support of making a modification to the BSC:

- The current lack of a clear process is untenable in the long term and could prevent instructions being ignored or certain Parties unfairly penalised while helping the market return to normal operation;
- The lack of a clear process would mean that there would be widespread confusion within the industry, for example, where to look for the details of the process, what can be claimed, how this can be claimed, and who is responsible for making the determination;
- Although it was not possible to quantify the benefits in financial terms, it was agreed that there would be cost savings in having a clear transparent process; P232 puts in place a clear coherent

process which means BSC Parties can be compensated efficiently and effectively and a transparent price calculation methodology would facilitate a more competitive market.

- There will be (if this process is implemented) cost savings in having this process document, which will outweigh any cost for the implementation of P232; and
- P232 clarifies the activities and roles of participants.

4.3 Assessment of Modification Against Applicable BSC Objectives:

BSC Objective (b): The efficient, economic and co-ordinated operation of the GB transmission system	
For	Against
<p>Overall</p> <p>P232 better facilitates this objective as having processes in place would allow smoother transition back to normal market operations and is more efficient for both setting prices and compensating generators. It would help participants have a better understanding of the BSC procedures, and a way to recover their costs, for Black Start Periods or FSC events, therefore encouraging compliance with the Transmission Company.</p> <p>Proposed v Alternative</p> <p>The Group did not believe either of the Proposed and the Alternative Modification facilitated BSC Objective (b) better than the other.</p>	<p>None identified</p>

BSC Objective (c): 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	
For	Against
<p>Overall</p> <p>P232 better facilitates this objective as providing greater clarity and certainty with regard to the single imbalance price calculation would provide more confidence in the arrangements. It would also assist the process by which Parties are able to fairly recover their costs attributable to the Black Start Period or FSC event.</p> <p>Proposed v Alternative</p> <p>A few Group members made an argument for the Alternative, as by not requiring the Panel to wait for an additional 60 days for a Party to submit evidence they could potentially determine claims earlier, and an efficient resolution would better facilitate competition.</p>	<p>None identified</p>

BSC Objective (d): Promoting efficiency in the implementation and administration of the balancing and settlement arrangements	
For	Against
<p>Overall</p> <p>P232 better facilitates this objective as having a process in place for compensation (the claims application process) in light of a Black Start Period and/or FSC event will reduce confusion and improve efficiency in the operation of the BSC. It will provide clarity to the obligations on Parties and provide assurance that the commercial interests of Parties are being considered.</p> <p>Proposed v Alternative</p> <p>Four Modification Group members who voted selected BSC Objective (d) as being better facilitated under the Alternative. Two Modification Group members who voted selected BSC Objective (d) as being better facilitated under the Proposed.</p> <p>Those in favour of the Alternative believe this to be the most efficient process. The extra 60 Business Days are seen as unnecessary and believed the Panel would make a sensible decision regarding the time required for Parties to submit all the evidence for their claim. There is nothing to stop a Party from providing evidence to the Panel after this time but it would be at the Panel's discretion as to whether this is considered.</p> <p>Those in favour of the Proposed believe there is an advantage to Parties of having a guaranteed 60 Business Days on top of the 20 Working Days for Black Start Period claims or 60 Days for Fuel Security Claims already available to Parties.</p>	<p>None identified</p>

4.4 Implementation Date

The Modification Group agreed the Modification should be implemented in the next BSC Systems Release a minimum of four months after a decision has been received from the Authority.

The Modification Group agreed cost savings can be made if the implementation is in conjunction with P231 and a BSC Systems Release. There is no requirement to implement this as a stand-alone release, so the Group has adapted a flexible approach which will also allow implementation as soon as practically possible, with respect to cost-savings.

See Section 3 for further details.

4.5 Legal Text

The Group reviewed the draft legal text, BSCP and guidance note and unanimously agreed that the draft legal text delivered the intended solution for both the Proposed and the Alternative.

Draft legal text for the Proposed Modification is included as Attachment A, and the draft legal text for the Alternative Modification is included as Attachment B.

Compliance with the FSC

There was discussion within the Group around whether allowing - "An additional 60 Business Days will be allocated for submission of further evidence by a claimant arising from a FSC or Black Start event." – is against the principles of the FSC, which states "...Application must be submitted within 60 days (or such longer period as the Panel may in any case approve)." DECC were contacted, who advised allowing an extra 60 days for generators to submit evidence is not in conflict with the FSC.

Clock Change

During the drafting, it was picked up there was no definition within the BSC of Clock Change, and in some sections of the BSC it was undefined. The BSCCo and the Modification Group took the opportunity to define 'Clock Change' in Section Annex X-1: General Glossary, and also update this throughout the BSC. Please see either Attachment A or Attachment B for details.

5 RATIONALE FOR PANEL'S RECOMMENDATIONS TO THE AUTHORITY

5.1 Panel's Consideration of Assessment Report

The Panel considered the P232 Assessment Report at its meeting on 9 April 2009. This section summarises the Panel's discussions in formulating its provisional recommendation for inclusion in the draft Modification Report. Details of the Report Phase consultation responses, the Panel's discussion of the responses and its final recommendation to the Authority can be found in Sections 5.2, 5.3 and 5.4 respectively.

5.1.1 Assessment Procedure Consultation Responses

The following clarifications were discussed on the P232 solution:

- The Panel questioned if the claims process was to apply to all claims received in relation to a Black Start Period or a Fuel Security Code event; the Group's findings were that it would.
- The Panel questioned whether a Claims Committee would be set up for each Black Start Period or FSC event or whether this would be a standing committee; the Group's findings were a Claims Committee will be set up for each Black Start Period and FSC event only, and is not to be on-going.

- The Panel questioned whether claims made shortly preceding a Black Start Period would be considered Black Start Claims; to which the response was 'no', however compensation could still be sought under remaining provisions in Section G, provided, as with a Black Start, the claimant was the recipient of an Emergency Instruction from National Grid.
- The Panel asked for clarification on the claims appeals process as per the discussion in the Assessment Report; to which the Panel were advised they would determine an appeals process if they believed one was required at the time.

5.1.2 Applicable BSC Objectives

a) Proposed Modification v current BSC baseline

The unanimous provisional view of the Panel was that the Proposed Modification would better facilitate the achievement of Applicable BSC Objectives (b), (c) and (d) when compared to the current Code baseline. The Panel did not make any new arguments compared to the Modification Group's arguments (as detailed above) when considering the applicable BSC Objectives.

The Panel agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objective (a).

b) Alternative Modification v current BSC baseline

The unanimous provisional view of the Panel was that the Alternative Modification would better facilitate the achievement of Applicable BSC Objectives (b), (c) and (d) when compared to the current Code baseline. The Panel did not make any new arguments compared to the Modification Group's arguments (as detailed above) when considering the applicable BSC Objectives.

The Panel agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objective (a).

c) Proposed Modification v Alternative Modification

The unanimous provisional view of the Panel was that the Alternative Modification would better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared to the Proposed Modification. The Panel did not make any new arguments compared to the Modification Group's arguments (as detailed above) when considering the applicable BSC Objectives.

The Panel agreed that the Alternative Modification would have a neutral impact on Applicable BSC Objectives (a) and (b).

d) Provisional recommendation to the Authority

The Panel therefore agreed a unanimous provisional recommendation to the Authority that:

- The Proposed Modification **should not** be made; and that
- The Alternative Modification **should** be made.

5.1.3 Implementation Date

The Panel agreed with the Modification Group's recommendation that the implementation is to be included in the nearest planned BSC Systems Release, which falls at least 4 months after an Authority decision has been received.

5.1.4 Legal Text

The Panel agreed with the Modification Group's recommendation that the Legal Text satisfactorily delivers the solution proposed by both the P232 Proposed and P232 Alternative Modifications.

5.2 Results of Report Phase Consultation

The Report consultation was issued to the industry on 17 April 2009 with responses received 1 May 2009.

5.2.1 Report Phase Consultation - Industry Responses

A total of 7 responses were returned.

5.2.1.1 Panel's Assessment on P232 Proposed Modification

Question 1: Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Proposed Modification P232 should not be made (and the arguments against the applicable BSC objectives)?

All responses agreed with the Panel's provisional recommendation that Proposed Modification P232 should not be made. Reasons provided against the applicable objectives reflected the arguments set out in Section 4.3 of this report. 3 Respondents also felt the Proposed was a better option than the current baseline; however they believe that P232 Alternative was superior.

5.2.1.2 Panel's Assessment on P232 Alternative Modification

Question 2: Do you agree with the Panel's provisional recommendation to the Authority contained in the draft Modification Report that Alternative Modification P232 should be made (and the arguments against the applicable BSC objectives)?

All responses agreed with the Panel's provisional recommendation that Alternative Modification P232 should be made. Reasons provided against the applicable objectives reflected the arguments set out in Section 4.3 of this report.

5.2.1.3 Panel's Assessment on P232 Implementation Date

Question 3: Do you agree with the Panel's provisional recommendation concerning the Implementation Date for P232?

All responses agreed with the Panel's provisional recommendation that P232 should be implemented in the next BSC Systems Release a minimum of four months since a decision has been received from the Authority.

5.2.1.4 Panel's View on P232 Proposed and P232 Alternative Legal Text

Question 4: Do you agree with the Panel's view that the legal text (for both the Proposed and the Alternative) provided in the draft Modification Report delivers the solution agreed by the Modification Group?

All responses (bar one, which was due to their approval of the revised legal text update as described in 5.2.2) agreed with the Panel's provisional recommendation that the P232 Proposed and the P232 Alternative Legal Text delivers the solution agreed by the Modification Group.

5.2.2 Clarification to Legal Text

After issuing the consultation ELEXON reconsidered an area of the legal text that describes what happens on a clock change day. ELEXON proposes that a change be made to the drafting of the P232 Proposed and the P232 Alternative Legal Text. The current drafting for BSC Section T 1.6.1A (f) (ii) states:

*"...the third and fourth Settlement Periods shall be repeated for the fifth and sixth Settlement Periods of that Clock Change Day. The single imbalance price for the **remaining** Settlement Periods for that Clock Change*

Day will be the single imbalance price calculated in accordance with this paragraph 1.6.1A for two Settlement Periods earlier..."

The word **remaining** can be interpreted to include Settlement Periods 1 and 2, which is not the intention of the paragraph (as these periods do not move due to a long Clock Change Day). ELEXON's proposed solution has the following revision (clarified in bold):

*"...the third and fourth Settlement Periods shall be repeated for the fifth and sixth Settlement Periods of that Clock Change Day. The single imbalance price for the remaining Settlement Periods for that Clock Change Day will be the single imbalance price calculated in accordance with this paragraph 1.6.1A **but (other than for the first and second Settlement Periods)** for two Settlement Periods earlier..."*

We provided the revised wording to the P232 Modification Group who endorsed this clarification.

5.3 Panel's Consideration of Draft Modification Report

The Panel noted the unanimous support received within the seven consultation responses to the Panel recommendations in response to the assessment report. The Panel discussed two areas of the solution in further detail.

Legal Text

The Panel agreed to a minor revision of the legal text relating to the description of the effect of a clock change day (when the clocks go back). The words '**but (other than for the first and second Settlement Periods)**' were inserted into paragraph 1.6.1A. This is to ensure it is clear that Settlement Periods 1 and 2 are unaffected by the paragraph. The final paragraph reads as follows:

"...the third and fourth Settlement Periods shall be repeated for the fifth and sixth Settlement Periods of that Clock Change Day. The single imbalance price for the remaining Settlement Periods for that Clock Change Day will be the single imbalance price calculated in accordance with this but (other than for the first and second Settlement Periods) for two Settlement Periods earlier..."

Application of the Single Imbalance Price (SIP) Methodology

The Panel discussed whether the use of a 30 days average of System Buy and Sell Price as proposed was the most appropriate methodology to set the SIP. It is likely that in the lead up to the suspension of the market that conditions in the market (for example application of demand control, localised losses of generation or demand) could invalidate the use of historic System Buy or Sell Price values as they would probably not be reflective of the cost of bulk electricity. The Transmission Company representative observed that anomalous conditions were more likely in the build up to a Fuel Security Event and global experience has shown that a total loss of Transmission is normally a swift event.

ELEXON noted that the Modification Group had considered other ways of calculating a SIP, but no single methodology was determined to be 'correct'. The Group had also considered whether to identify other criteria for using the SIP or how else to calculate a SIP, but concluded that the cause and build up of these extreme events was so uncertain that it would be better to use the knowledge of the specific event to determine what information might be used instead of average System Buy/Sell Price, hence the proposal to allow the Panel to set aside the proposed methodology in circumstances where it felt such a construction inappropriate.

A concern was raised by one Panel member as to whether the average price methodology would create the right incentive to ensure generators contribute to the restoration of the system and would give the right signal to discretionary demand. ELEXON noted that there were obligations on Parties to ensure they contributed to system restoration, and the compensation arrangements allowed for Parties to claim costs incurred. The Panel member noted that he was also concerned that the market would presume that the proposed methodology would be applied and would have no confidence that the panel would over-write this, which could severely undermine the market response during such an event. He noted that these concerns

had been touched on during the discussion of the IWA where he had asked whether a single price was the appropriate approach, and it was not clear from the Assessment Report why an average of the two prices had been preferred given these comments. In the circumstances he felt it better not to prescribe a method for calculating a price that could well prove to be inappropriate.

ELEXON noted that the current proposed Code drafting has the flexibility for the Panel to override the formulation proposed on the face of the code to determine the SIP as it feels appropriate. This flexibility is a feature of P232, albeit exercisable after the event. It was also noted that the 30 day average was a component of the original Modification drawn from the industry solution developed under Issue 32 to establish a default methodology for how a price could be calculated. The proposal also included giving the Panel flexibility to remove certain periods from the average if they determined these to be unreflective of the cost of bulk electricity or to determine a different methodology.

Given that the Panel retained flexibility in how a price may be calculated, and that this was part of a suite of changes to improve the transparency of arrangements relating to contingencies, the Panel agreed unanimously that the solution was an improvement on the baseline. The Panel member who had expressed concern over the approach indicated that he was prepared on balance to support the recommendation given that the panel could substitute a different method, and he noted (in the unlikely event such operational conditions arise) he expected it to exercise its discretion.

Finally the Panel noted that are cost savings associated with drafting the new CP if both P231 and P232 are implemented in parallel.

5.4 Panel's Final Recommendation to the Authority

The Panel UNANIMOUSLY agreed a recommendation to the Authority that:

- the Proposed Modification SHOULD NOT be made; and
- the Alternative Modification SHOULD be made.

The Panel recommend an Implementation Date for the Proposed Modification for the next planned BSC Systems Release which falls at least 4 months after an Authority Decision has been received.⁴

The Panel agreed the legal text for modifying the Code in respect of the Proposed and Alternative Modifications, as provided in Appendix 1.

6 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
BSC	Balancing and Settlements Code
BSCCo	Balancing and Settlements Code Company
BSCP	Balancing and Settlements Code Procedure
FSC	Fuel Security Code
LWI	Local Work Instruction
Ofgem	Office of Gas and Electricity Markets
SAA	Settlement Administration Agent
SBP	System Buy Price
SSP	System Sell Price

⁴ The next BSC System Releases are scheduled for 05 November 2009 and 25 February 2010.

7 DOCUMENT CONTROL

7.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	09/04/09	Graeme Windley	David Jones Sarah Jones	For technical review
0.2	17/04/09	Graeme Windley	BSC Parties and other interested parties	For consultation
0.3	05/05/09	Graeme Windley	David Jones	For technical and quality review
1.0	20/05/09	BSC Panel		For Authority decision

7.2 References

Ref.	Document Title	Owner	Issue Date
1	Issue 32 Report	ELEXON	10/07/08
2	Issue 33 Report	ELEXON	10/07/08
3	P232 Initial Written Assessment	ELEXON	09/01/09
4	The Fuel Security Code	DECC	10/07
5	Fuel Security Code Guidance	DECC	10/07
6	P232 Assessment Consultation Document	ELEXON	25/02/09

APPENDIX 1: LEGAL TEXT

Draft legal text for the Proposed Modification is attached as a separate document, Attachment A.

Draft legal text for the Alternative Modification is attached as a separate document, Attachment B.

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the [P232 page](#) of the BSC Website.

Date	Event
23/12/08	Modification Proposal raised by National Grid
23/12/08	Issue 32 Report
23/12/08	Issue 33 Report
15/01/09	IWA presented to the Panel
19/01/09	P232 Modification Group Terms of Reference developed
23/01/09	First Assessment Procedure Modification Group meeting held
29/01/09	Second Assessment Procedure Modification Group meeting held
13/02/09	Third Assessment Procedure Modification Group meeting held
17/03/09	Fourth Assessment Procedure Modification Group meeting held
20/03/09	Walkthrough of Legal Text held
09/04/09	Assessment Report to be presented to Panel
17/04/09	Draft Modification Report issued for industry consultation
01/05/09	Report Phase consultation responses returned
14/05/09	Draft Modification Report presented to the Panel
20/05/09	Final Modification Report issued to the Authority for decision

ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL ⁵	
Meeting Cost	£2,200
Legal/Expert Cost	£0
Impact Assessment Cost	£5,000
ELEXON Resource	102 man days £26,100

⁵ Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link: http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

The ELEXON Resource costs are slightly higher than anticipated, due to extra work agreeing the legal text. This is also reflected in an extra Modification Group meeting and an additional teleconference to further discuss the legal drafting.

APPENDIX 3 AREAS RAISED BY THE TERMS OF REFERENCE

The following areas were considered by the Modification Group during the Assessment Procedure for P232:

- Confirm what further detail is required regarding the compensation arrangements pursuant to a Black Start or FSC event, and where this detail should be documented including:
 - Whether there should be a 'de-minimis threshold' and, if so, what it should be;
 - The timetable for submission of claims and admission of further evidence;
 - The timetable and process for progressing claims;
 - The treatment of interim claims; and
 - The publication of claims material and compensation decisions.
- Confirmation of the process for cost recovery under the BSC;
- Identify the impacts on BSC Parties, BSC Panel, BSCCo and the Transmission Company;
- Detail the formulation and composition of the claims committee;
- Confirm the further detail of the calculation of a single Imbalance Price, to determine whether this is the best methodology to use and to ensure the methodology is enduring to a range of possible FSC events, and to confirm the Panel's role in the process;
- Determine whether additional procedures introduced by P232 will necessitate the development of a new BSCP to facilitate the proposed claims process; and
- Determine which costs should constitute Avoidable Costs (in terms of a Black Start) and, with respect to what are determined as Exceptional Costs in the FSC, identifying the cost headings for dealing with FSC Claims.

These issues are discussed in the Assessment Report contained in Appendix 4, and are not covered further here.

APPENDIX 4: ASSESSMENT REPORT

For the purposes of the Report Phase consultation and the Panel's consideration of the draft Modification Report, the P232 Assessment Report can be found on the BSC Website at the [P232 Webpage](#).

The Assessment Report includes:

- An explanation of Black Start and Fuel Security Code events;
- The discussions of the Modification Group regarding the areas set out in the P232 Terms of Reference;
- The Modification Group's conclusions in regard to the financial benefits, implementation and the Group's views against the applicable BSC Objectives;
- Details of the Group's membership, attendance, discussion and analysis;
- The BSCP which contains the BSCP claims forms, the claims submission process, guidance and a draft Terms of Reference for the Claims Committee to use, if it so chooses;

- The full results of the Assessment Procedure impact assessment; and
- Full copies of all responses to the Assessment Procedure consultation.

APPENDIX 5: REPORT PHASE CONSULTATION RESPONSES

The P232 Report Phase consultation responses are attached as a separate document, Attachment C.

APPENDIX 6: ESTIMATED IMPACT OF MODIFICATION ON SYSTEMS, PROCESSES, AND DOCUMENTATION

An initial assessment has been undertaken by BSCCo in respect of all BSC systems, documentation and processes.

a) Impact on BSC Systems and Processes

No impact anticipated on BSC Systems, as they currently must have the capability to cater for a Single Imbalance Price if required. This is likely to be via manual processes to enter this data into Settlement.

b) Impact on BSC Agent Contractual Arrangements

No significant impact anticipated.

c) Impact on BSC Parties and Party Agents

No day-to-day impact is anticipated for BSC Parties or Party Agents. There will be procedures which BSC Parties can now follow in relation to claiming compensation under a Black Start Period or FSC event. No impact for Party Agents.

d) Impact on Transmission Company

No impact anticipated, however National Grid will be asked to confirm any impact and whether legal drafting is in line with the Grid Code.

e) Impact on BSCCo

Area of Business	Impact of Proposed/Alternative Modification
Stakeholder Assurance	Local Work Instructions (LWI) are to be developed regarding BSCCo's role in assisting the BSC Panel or the Claims Committee (if delegated).
Implementation	BSCCo would need to implement the proposed changes. This process is likely to include Code Subsidiary Document drafting and education.

f) Impact on Code

Code Section	Impact of Proposed/Alternative Modification
B (The Panel)	The Panel are responsible for Panel Committee's and the delegation of powers, reference to the Claims Committee is required.
G (Contingencies)	This section is to include the application of the Single Imbalance Price methodology, updates to the Avoidable Costs and timetable for evidence submission.

Code Section	Impact of Proposed/Alternative Modification
P (Energy Contract Volumes and Metered Volume Reallocations)	Capitalisation of 'clock change' and 'clock change day'.
Q (Balancing Mechanism Activities)	Capitalisation of 'clock change' and 'clock change day'.
T (Settlement and Trading Charges)	Methodology for setting the Single Imbalance Price is to be updated in this section.
Annex X-1 (General Glossary)	Definition of 'Clock Change' and 'Clock Change Day'

A copy of the draft legal text to give effect to these changes can be found in Attachment A.

g) Impact on Code Subsidiary Documents

Document	Impact of Proposed/Alternative Modification
New BSCP	A new BSCP will document all the processes, forms and guidance
BSCP18 'Corrections to Bid-Offer Acceptance Related Data'	A reference to the process of entering Single Imbalance Cash-out Price into Settlement (in the new BSCP) should be included here.
SAA Service Description	The process of entering Single Imbalance Cash-out Price into Settlement documented as a requirement here
SAA User Requirements Specification	The process of entering Single Imbalance Cash-out Price into Settlement documented as a requirement here

h) Impact on Core Industry Documents/System Operator-Transmission Owner Code

Document	Impact of Proposed/Alternative Modification
Fuel Security Code	No changes will be made to or requested for the FSC, but any interaction between this and the P232 solution needs to be considered for the drafting of the P232 legal text.
Grid Code	It is assumed that no changes will be required to the Grid Code; however any interaction between this and the P232 solution needs to be considered.

i) Impact on Other Configurable Items

No impact anticipated.

j) Impact on BSCCo Memorandum and Articles of Association

No impact anticipated.

k) Impact on Governance and Regulatory Framework

No impact anticipated.