

**Modification Proposal P61 'Ad Hoc
Adjustments to Settlement involving
material errors without resorting to Ad
Hoc Settlement Runs'**

Requirements Specification

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a Authorities

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Version	Date	Reviewer	Signature	Responsibility
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0.1	11/02/02	P61 Modification Group		Review
1.0	20/02/02	P61 Modification Group		Final

b Distribution

Name	Organisation
Modification Group members	
Each BSC Party	Various
Core Industry Document Owners	Various

c Related Documents

None

d Intellectual Property Rights and Copyright

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1 INTRODUCTION

1.1 Background

This Requirements Specification for Modification Proposal P61 (P61) 'Ad Hoc Adjustments to Settlement involving material errors without resorting to Ad Hoc Settlement Runs' forms the basis for an industry consultation and assessment of the proposed implementation and associated issues should P61 be adopted. It defines the requirements for implementation of P61 without any evaluation or assessment of P61 itself. This accords with Section F 2.6.6 of the Balancing and Settlement Code (the Code).

ScottishPower Energy Trading raised P61 on 31 December 2001

P61 seeks to make the standard methodology for the adjustment of a material error in Settlement as:

- In the case of a pre-Final Run dispute to undertake the adjustment at the next convenient Timetabled Reconciliation Run; and
- In the case of a post-Final Reconciliation Run dispute, to undertake the adjustment through a single Dispute Final Run.

Following the normal Disputes process, carried out by the Disputes team (ELEXON) and supported by the Trading Disputes Committee and where there is a requirement to make an interim adjustment arising from a settlement error (such as a Party in potential payment default). An approximate calculation, outside of the normal Settlement Runs carried out by ELEXON under the direction of the Trading Disputes Committee and agreed by the Panel (this authority may be devolved), would be put into effect. Appeals against these decisions would be covered under the normal referral process.

1.2 Purpose and Scope

The primary purpose of this document is to specify the requirements for the requisite changes to the Code, BSC Systems, Code Subsidiary Documents, Core Industry Documents and other Configurable Items in sufficient detail to enable all impacted Parties, BSC Agents, Party Agents and documentation owners to provide an assessment of the changes required to support P61.

1.3 Terms Used in this Document

BSCCo	Balancing and Settlement Code Company
CDCA	Central Data Collection Agent
DLIA	Detailed Level Impact Assessment
FAA	Funds Administration Agent
NETA	New Electricity Trading Arrangements
SAA	Settlement Administration Agent
SVAA	Supplier Volume Aggregation Agent

TDC	Trading Disputes Committee
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2 REQUIREMENTS FOR P61

These requirements apply to post NETA Settlement only. The first section deals with the requirements relating to Settlement Runs, and the remainder with the different aspects of interim adjustments. The frequency of interim adjustments is expected to be very low.

Disputes Runs

A Disputes Final Run with run type 'DF' is the remaining instance of an Ad Hoc Settlement Run. In a Disputes Final Run, the SAA generates the normal file to the FAA as for Timetabled Reconciliation Runs. This process, including its timing, would continue as now in accordance with BSCP11, with a 'DF' run only occurring when required by TDC/Panel as opposed to by Timetable.

Settlement Runs with run type 'D' are now defunct, but run type 'D' could continue to be used for estimation runs (see 2.2 below)

There are many cross references to the term Ad Hoc Settlement Run in the Code and Code Subsidiary Documents, and a redefinition/restriction of the term is more appropriate than removal.

2.2 Apportionment for interim adjustments

The Panel/TDC have the discretion to determine the apportionment (Section W 4.3). The mechanism should not be prescriptive and allow different approaches on a case by case basis.

Although the identification of Parties disadvantaged by a material settlement error may be straightforward, apportionment amongst advantaged Parties can be complex. Panel/TDC discretion to limit the number of liable Parties for the sake of efficiency of administration is a key principle, but made equitable by ensuring that any such interim adjustment takes account of interest due over the period (payable by the disadvantaged Party).

The BSC Agent systems (CDCA, SAA and optionally SVAA) should be capable of an estimation run for one or more Settlement Days (note this is **not** a formal Settlement Run so that reports are not sent to participants and credits and debits are not sent to the FAA). As this capability is available within BSC Agent systems no significant development cost should be involved, if cost is involved due to system changes this solution would have to be weighed against other options i.e. manual solutions.

In cases where the GSP Group Take is revised the SVAA system should be capable of estimation runs, in order to return revised Supplier Volume Allocation data to the SAA.

Such estimation runs would be carried out on instruction from BSCCo, using the previous Timetabled Run data with revised data specified by the TDC. (Note that if other dispute revisions have been made since the last Timetabled Run, then ideally these should be excluded as they will distort the apportionment. This could be achieved by a change in local working instruction to defer applying such revisions until just prior to the Timetabled Run). This estimation run can also be carried out following the Final Reconciliation run (RF).

The defunct Settlement Run Type 'D' could be used for estimation runs if it is cost effective to do so. A revised Settlement report (S0143) will be provided by the SAA to

BSCCo together with the revised credit and debit report that would normally be sent to the FAA.

Using these reports BSCCo will calculate the difference in Party Residual Cashflow Reallocation Charges between the previous Settlement Run and the estimation run. This will be used to assist the TDC to determine the liable Parties and the apportionment amongst them.

2.3 Interim adjustments as Ad Hoc Trading Charges

The Code already makes provision for Ad Hoc Trading Charges to be triggered in relation to adjustments for settlement errors outside of Settlement Runs (Section N 6.9.1 a). In addition there are specific obligations on Parties to pay the amounts (Section N 6.9.1 d).

After TDC determination that an interim adjustment is required, and has determined the Parties involved and the amounts, BSCCo should instruct the FAA to make the initial adjustments in accordance with Section N 6.9.2 a.

A second instruction is made at the time of the next Reconciliation Run (including the case where this is a Disputes Final Run). This second instruction effectively reverses the initial amounts but also requires the FAA to calculate the interest due from the point of the initial payments up to the point of the Reconciliation Run. The disadvantaged Party would be liable to pay the appropriate interest to each of the other Parties involved in the interim adjustment. This is intended to ensure that the interim adjustment process is transparent and equitable.

Advice notes to Parties should classify such interim adjustments as 'Ad Hoc Trading Charges' (Section N 6.9.3).

2.4 BSC Audit

By classifying interim adjustments under the umbrella of 'Ad Hoc Trading Charges' these can be deemed to be within the scope of the BSC Audit.

The interim adjustment process including apportionment is required to be fully auditable

3 DOCUMENTATION CHANGES

This section outlines the amendments that would be required to the Code, Code Subsidiary Documents and Core Industry Documents.

3.1 Code

There would be an impact on the following Sections of the Code:

- Section N 'Clearing, Invoicing and Payments' – potential additions Section 6.9 to confirm that interim adjustments are made via Ad Hoc Trading Charges;
- Section U 'Provisions Relating to Settlement' – modify definition of Ad Hoc Settlement Run and Ad Hoc Volume Allocation Run in Section 10.1; and
- Section W 'Trading Queries and Trading Disputes' – modifications to simplify Section 4 with respect to Ad Hoc Settlement Runs and to expand on adjustments outside of the Settlement Run process.

3.2 Code Subsidiary Documents

The following documents would be impacted by P61:

- BSCP 11 – to describe the process for interim adjustments;
- SAA, CDCA & SVAA Service Descriptions – to add the requirement for estimation runs and clarify Disputes Runs;
- FAA Service Description – to clarify the requirement for Disputes Runs and for handling Ad Hoc Trading Charges;
- PSLs 120 & 140 – to clarify Ad Hoc Runs; and
- Data Catalogues – to document the revised use of Settlement Run Type 'D'.

3.3 Core Industry Documents

No impacts on Core Industry Documents are expected from P61.

4 DEVELOPMENT PROCESS

For the purposes of this assessment, the BSC Central Service Agent should assume that the changes will be implemented as a standalone development project managed by ELEXON.

Notwithstanding, ELEXON recognise that responsibility for design, testing and implementation of the system lies with the BSC Central Service Agent, and in order to gain assurance that changes made are consistent with the requirements, ELEXON requires visibility of these processes. The following sections give an indication of the control points required during design, testing and implementation and are supplied to provide a basis on which the Logica Consortium can estimate.

4.1 Design

ELEXON intend that responsibility for the correctness of the design should remain with the BSC Central Service Agent, but that ELEXON should have the opportunity to review it, and identify apparent inconsistencies with the requirements. The following processes are proposed to achieve this:

- ELEXON will review changes to the User Requirement Specifications (URS), and sign the document off once review comments have been addressed.
- ELEXON will review changes to the System Specification and Design Specification, and identify any evident inconsistencies with the URS, but will not sign off the documents.

4.2 Testing

ELEXON intend that responsibility for software testing should remain with the BSC Central Service Agent, but that ELEXON should have some visibility of the process, in order to gain assurance that the integrity of Trading and Settlement is maintained. The following processes are proposed to achieve this:

- As part of the response to this document, the BSC Central Service Agent will provide a statement of their proposed testing strategy. This statement will be reviewed by ELEXON, and should explain how the BSC Central Service Agent will demonstrate that the changes are ready for live operation, and that there is no unplanned impact on pre-existing facilities.
- ELEXON will be provided for information with test plans, test scripts and other test documentation that they may request. ELEXON will review these documents, and identify any evident inconsistencies with the agreed testing strategy, but will not sign them off.
- ELEXON will have the option of witnessing appropriate elements of the BSC Central Service Agent testing.
- The BSC Central Service Agent will provide ELEXON with a test report, summarising the testing carried out, and the results of those tests. The report will also describe any defects found during testing, and the steps taken to resolve them.

4.3 Implementation

ELEXON anticipate the following interaction with the Logica Consortium's implementation process:

- As part of the impact assessment of this document, the BSC Central Service Agent will provide a high-level statement of their proposed implementation approach (describing, for example,

whether a phased approach is proposed). ELEXON will review and sign off this high-level implementation strategy.

- Implementation date(s) for the changes described in this document will be agreed in advance by ELEXON and the BSC Central Service Agent.

Annex 1: The Modification Proposal

Modification Proposal – F76/01	MP No: 61 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by originator)</i> : Ad Hoc Adjustments to Settlement involving material errors without resorting to Ad Hoc Settlement Runs	
Submission Date <i>(mandatory by originator)</i> : 31 December 2001	
Date Logged <i>(mandatory by BSCCo)</i> :	
<p>Description of Proposed Modification <i>(mandatory by originator)</i></p> <p>To make amendments to the current wording of the BSC to ensure that a Trading Party has access to an appropriate form of redress in order to correct a material Settlement error without resorting to an Ad Hoc Settlement Run.</p> <p>The use of Ad Hoc Settlement Runs (and related Volume Allocation Runs) pre- and post- Final Reconciliation on the resolution of a Trading Dispute is primarily outlined in Sections U and W of the BSC.</p> <p>Experience to date has shown that resort to the use of an Ad Hoc Settlement Run to correct Settlement errors has been relatively rare. The effect of such an Ad Hoc Run would be to re-run the Settlements process for the entire or part of a particular Settlement Day, possibly more than once in some cases. This would create a complex and inefficient method by which to adjust Settlement in two respects:</p> <ul style="list-style-type: none"> a) Substantial new processes would be required in addition to current systems functionality (for central BSC Agents and BSC Parties) to accommodate the use of Ad Hoc Settlement Runs, involving both considerable cost and time for implementation; b) the materiality of the error affecting the Trading Party. Even where a Party was potentially being placed in credit default as the result of a Settlement error, it would be more efficient, on the resolution of a dispute raised by the Party in its favour, for the adjustment for that error to be calculated and rectified through a less elaborate process than an Ad Hoc Settlement Run. <p>It would, therefore, be more cost effective, and practical, if the standard methodology for adjustment of a material error in Settlement was:</p> <ul style="list-style-type: none"> a) in the case of a pre-Final Reconciliation Run dispute, to undertake the adjustment at the next convenient timetabled Reconciliation Run; and b) in the case of a post-Final Reconciliation Run dispute, to undertake the adjustment through a single Dispute Final Run. <p>Where there is an urgent requirement to make an interim adjustment (as in the credit default example given above), a simple and approximate manual calculation of the error, carried out by the TDC and agreed by the BSC Panel, outside the normal Settlement Runs would be put into effect. Ad Hoc Settlement Runs must therefore be removed from the BSC as the means to effect agreed adjustments.</p>	

Modification Proposal – F76/01	MP No: 61 <i>(mandatory by BSCCo)</i>
Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by originator)</i>	
The potential for using costly and inefficient multiple Ad Hoc Settlement Runs as the means to adjust Settlement after the resolution of a Trading Dispute involving a material error.	
Impact on Code <i>(optional by Originator)</i>	
All references to Ad Hoc Settlement Runs in the Code (Sections U and W in particular) and in BSCPs should be removed and wording inserted to ensure that the standard methodology adopted in adjusting Settlement after resolution of a Trading Dispute is through a calculation of the material error outside of the normal Settlement Runs by the TDC and agreed by the BSC Panel.	
Impact on Core Industry Documents <i>(optional by Originator)</i>	
None.	
Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by originator)</i>	
None.	
Impact on other Configurable Items <i>(optional by originator)</i>	
None.	
Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by originator)</i>	
In view of the rarity of such an event, the proposed modification would be a more cost effective method of managing the adjustment to Settlement and "promoting efficiency in the implementation and administration of the balancing and settlement arrangements" (paragraph 3 of Condition C3 of the Transmission Licence).	
Details of Proposer:	
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Modification Proposal – F76/01	MP No: 61 <i>(mandatory by BSCCo)</i>
Details of Proposer's Representative: Name ... <i>Abid Sheikh</i> Organisation ... <i>ScottishPower Energy Trading Limited</i> Telephone Number ... <i>0141 568 3113</i> Email address ... <i>abid.sheikh@scottishpower.com</i>	
Details of Representative's Alternate: Name Organisation Telephone Number Email address	
Attachments: No <i>(delete as appropriate) (mandatory by originator)</i> If Yes, Title and No. of Pages of Each Attachment:	