

**Modification Proposal P044 'Correction of
Notification Errors where Parties are able
to satisfy a Reasonable and Prudent
Operator test' Requirements
Specification**

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b Distribution

Name	Organisation
P044 Modification Group	
Parties	
Party Agents	
BSC Central Service Agent	

c Related Documents

Reference 1	P044 Modification Proposal (8 October 2001)
Reference 2	P044 Initial Written Assessment (011ABU) (30 October 2001)

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1 INTRODUCTION

1.1 BACKGROUND AND SCOPE

This Requirements Specification for Modification Proposal P044 (P044) 'Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test' (reference 1) forms the basis for a Detailed Level Impact Assessment (DLIA) of the implementation and associated issues should P044 be adopted. This Requirements Specification defines the requirements for implementation of P044 without any evaluation or assessment of P044 itself. This accords with Section F 2.6.6 of the Balancing and Settlement Code (the Code).

P044 was raised by Powergen on 8 October 2001 and the Initial Written Assessment (reference 2) was presented to the Panel on 31 October 2001. P044 seeks to modify the Code so that Parties will be able to apply to the Panel requesting the ex post creation of new Energy Contract Volume Notifications (ECVNs) / Metered Volume Reallocation Notifications (MVRNs) or amendment of a previously submitted ECVN / MVRN. P044 seeks to address the increased risks faced by Parties that have no alternative but to notify their Volume Notifications close to Gate Closure.

P044 requires that the process by which a claim can be submitted and determined are defined under the Code and is intended to be prospective and not retrospective.

The Error Processing Modification Group (the Group), at their meeting on 12 November 2001, noted the view that P044 better facilitates the Applicable BSC Objectives, as defined in Transmission Licence Condition C3 Paragraph 3; namely 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'.

Following the Group meeting on 5 December 2001, at which the results of the first consultation and High Level Impact Assessment (HLIA) were analysed, the Group refined the P044 requirements and additionally agreed that an Alternative Modification Proposal should be progressed relating to the incorporation of an Error Correction Payment (ECP). This document has therefore been updated to include these refined requirements. To minimise the impact of change, two new sections have been created as follows:

- Revised Requirements Specification (Section 3). This section outlines the additional requirements which were not included in the original requirements via section 2.
- Further Changes Required to the Code, Code Subsidiary Documents, Other Configurable Items & Industry Documents (Section 5). This section outlines the additional impacts on BSC documentation.

1.2 PURPOSE AND STRUCTURE OF DOCUMENT

The primary purpose of this document is to specify the requirements for the requisite changes to BSC Systems, the Code, Code Subsidiary Documents and other Configurable Items, in sufficient detail to enable all impacted BSC Agents, Parties, Party Agents and documentation owners to provide a DLIA of the changes required to support P044.

In particular the main purpose of this document is to specify ELEXON's (representing the Group) requirements for the requisite change to BSC System functionality in sufficient detail to allow the BSC Central Service Agent to provide a detailed assessment of the following:

- An assessment of the cost of any changes to the contractual baseline;
- An assessment of the elapsed time required to implement the necessary changes;
- A proposed testing strategy for the changes; and
- A proposed release and acceptance strategy (e.g. whether to phase the implementation to provide a quick solution to urgent operational issues).

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

1.3 GLOSSARY

The following acronyms have been used throughout this document:

BSCCo	Balancing and Settlement Code Company
DLIA	Detailed Level Impact Assessment
ECP	Error Correction Payment
ECPR	Error Correction Payment Reallocation
ECVAA	Energy Contract Volume Aggregation Agent
ECVN	Energy Contract Volume Notification
FAA	Funds Administration Agent
HLIA	High Level Impact Assessment
MVRN	Metered Volume Reallocation Notification
RPO	Reasonable Prudent Operator
SAA	Settlement Administration Agent
URS	User Requirement Specification

2 REQUIREMENTS SPECIFICATION

P044 was submitted on 8 October 2001 by Powergen and seeks to modify the Code so that Parties will be able to apply to the Panel requesting the ex post creation of new Energy Contract Volume Notifications (ECVNs) / Metered Volume Reallocation Notifications (MVRNs) or amendment of a previously submitted ECVN / MVRN. P044 seeks to address the increased risks faced by Parties that have no alternative but to notify their Volume Notifications close to Gate Closure and is intended to be prospective not retrospective.

It is believed that any impact on Parties will be small based on the responses received to the HLIA. The impact on the BSC Service Agent will be minimal because they will utilise the existing error correction process to correct the Volume Notification and submit the revised data into the Settlements process.

2.1 Requirements Specification Overview

The Code currently only allows for Volume Notifications to be corrected as a result of an Energy Contract Volume Aggregation Agent (ECVAA) System Failure. However P044 seeks to allow a Party (claimant) to be able to submit a claim, relating to four pre-defined circumstances, for consideration by the Panel¹ (or a Panel Committee), which would extend the current scope of the Code.

The claimant would be required to submit a claim by 17:00 hours on the Business Day following the 'effective day' of the Volume Notification. A single claim would relate to a particular Volume Notification and could cover one or more Settlement Periods. A claim could not be submitted in relation to a Settlement Period which had previously been the subject of a claim.

The claimant would submit, in writing at company director level, a claim and provide supporting evidence to BSSCo. Provided that the claim was not invalid (i.e. that the claim details were complete and correct, that the timescales had been met and that no previous claim related to the Settlement Periods in question), the claimant would also provide a non-refundable administration fee of £5000.00. A statement in writing would also be provided by the relevant Contract Trading Party(ies) and the relevant Volume Notification Agent.

BSSCo would assist the Panel in administering the claim and would liaise with the relevant bodies which would include the claimant, the relevant Contract Trading Party(ies) and the relevant Volume Notification Agent and the ECVAA.

The claimant would provide suitable evidence to support a claim and BSSCo may be required to provide further information, as a consequence.

The Panel would review all the evidence provided by the claimant, the other relevant Contract Trading Party, the relevant Volume Notification Agent and the ECVAA.

The relevant Contract Trading Parties and the relevant Volume Notification Agent would provide the Panel with such further information as it may reasonably request to assist it in making its determination and would confirm that the evidence and information provided to the Panel was complete and not misleading.

¹ All references to Panel hereafter will also be deemed to include a Panel Committee, as the Panel may delegate this responsibility to a Panel Committee.

The Panel would not agree to a correction if the correction resulted in the Volume Notification being invalid (in accordance with the ECVAA validation rules) or treated as rejected (in relation to the relevant Settlement Period) or refused (in accordance with the ECVAA validation rules).

The Panel taking into account all the evidence provided, would determine whether or not the claim should be upheld and, if upheld, what adjustments were required to the relevant Account Bilateral Contract Volumes, Metered Volume Fixed Reallocations and/or Metered Volume Percentage Reallocations (as the case may be) in order to correct the Volume Notification.

The Panel would consider and determine the claim in a timely fashion.

The Panel would notify the Panel's determinations to all Contract Trading Parties and the relevant Volume Notification Agent, together with the reasons indicated by the Panel for its determinations and a brief description of the process followed by the Panel in making its determinations.

Following the Panel determination, BSCCo would provide the relevant instructions to the ECVAA to request an ad-hoc dispute run which would result in corrected Settlement data being submitted by the ECVAA to the SAA for use in the next Settlement Run, providing the claim was determined prior to the Final Reconciliation Run, which should be the case in the majority of claims. If the claim was determined too near or after the Final Settlement Run however, BSCCo would instigate an Ad-Hoc Settlement Run which would impact the ECVAA, the SAA and the FAA. Both run types are catered for under the Code.

Where, in relation to a claim, the adjustments to the data resulted in a reduced debit or increased credit in the Relevant Account Energy Imbalance Cashflow of the relevant Contract Trading Parties (or either of them individually), the Party or Parties would be liable to pay to the BSC Clearer the payment(s) applicable to its or their Energy Account(s).

Where the Panel agreed that a correction should be made, the correction would be taken into account for the purposes of the determination of the relevant Contract Trading Parties' Credit Cover Percentages in relation to Settlement Periods for which Gate Closure occurred after, but not earlier than, the time of the correction.

A Party opposed to the Panel's determination, may refer that determination to the Authority where the Party believed that the procedures adopted by the Panel had not been followed correctly or when new material information emerged which would be of relevance to the determination. Referral may be up to five Business Days after the relevant determination and on payment of a £5,000.00 fee. The Authority would either overturn the Panel's determination, submit the matter(s) back to the Panel to be reconsidered or would uphold the Panel determination.

Below are the detailed requirements and these are based on the mechanism proposed for P037, where appropriate. This section does not however include the ECP process which has been proposed for P037 on the basis that the degree of change implied by the adoption of an ECP is such that an alternative proposal would be needed to incorporate it and the detail of how an ECP would be applied remains to be developed, via consultation.

2.1.1 Scope of Claims

In the first instance, an error would be defined as being where an actual Volume Notification, or an absence of such a Volume Notification, did not reflect a demonstrably settled (and shared, if two Parties were involved) intent.

P044 identified four circumstances 'tests' by which a claim should be considered to allow a Volume Notification to be changed / submitted post Gate Closure:

- A) If the Volume Notification had as part of normal operations (ie. because of operational failures or in order to refine earlier submitted forecasted quantities) to be submitted after 18:30 on the day before the effective date of the Volume Notification; or
- B) For Volume Notifications made prior to 18:30 on the day before the effective date of the Volume Notification, the Forward Contract Report (E0221) had not been sent by the ECVAA to any of the Parties involved;

and for either of the above:

- C) The claimant can demonstrate beyond reasonable doubt that it had taken all reasonable steps (to the standard of a reasonable and prudent operator (RPO)) to prevent Volume Notification errors happening in the first place and to minimise the impact of errors should they actually occur; and
- D) The claim is supported, in writing, by both Parties in the case of inter-company transactions and a Directory / Company Secretary of the relevant Party in the case of intra-company transactions.

The Panel would determine whether the claim submitted was a valid claim in line with the circumstances listed above and having taken due regard of the evidence provided.

2.1.2 Submission of Claim

Any Party (claimant) wishing to submit a claim would do so in writing. The claim would be submitted, by a company director, to BSSCo by 17:00 hours on the Business Day following the 'effective day' of the Volume Notification². The claimant would identify the error, the relevant Settlement Periods affected (one or more), the reason why the claim was being submitted and provide any supporting evidence.

Any claim submitted after this timescale and a claim submitted in relation to a Settlement Period which had previously been the subject of a claim would be rejected.

A statement in writing, from the other relevant Contract Trading Party and the relevant Volume Notification Agent would also be provided to BSSCo confirming that an error had occurred. The claim would not be processed until this supporting information had been provided.

A non-refundable administration fee of £5000.00 would be payable by the claimant to BSSCo. This fee would be invoiced when the BSSCo Charges for the relevant Party were determined for the next month. This activity would be undertaken by the BSSCo Finance Department in line with the existing processes adopted for Ad-Hoc Trading Charges.

2.1.3 Administration of Claim

When a claim was made, the Panel Secretary, via BSSCo, would request that:

- the claimant provide evidence and information supporting its claim;
- the other relevant Contract Trading Party (if any) provide evidence and information supporting the claim; and

² This timescale allows the smaller non 24/7 Parties to submit claims for consideration.

- the relevant Volume Notification Agent and the ECVAAs provide comments in relation to the claim.

BSCCo would ensure that the administration fee was paid and would also provide any necessary administrative support to the Panel; this would be an additional BSCCo activity.

BSCCo would, on behalf of the Panel, provide relevant information to assist with the Panel's consideration of the claim to enable the Panel to come to a view as regards whether an error had occurred and whether the claim satisfied the circumstances such that rectification should take place.

2.1.4 Determination of Claim

The Panel would consider and determine claims in a timely fashion.

The relevant Contract Trading Parties and the relevant Volume Notification Agent would provide the Panel with such further information as it may reasonably request to assist it in making its determination and would also confirm to the Panel that the evidence and information provided to the Panel was complete and not misleading.

The Panel would not act as an expert or an arbitrator in making any decisions and the provisions of the Arbitration Act 1996 would not apply in respect of any such decisions.

Following review of the evidence provided to it, the Panel would determine in its opinion whether the claimant had demonstrated that there was an error in relation to the relevant Settlement Period; if so, what the error was; and whether the error should in all the circumstances be corrected in relation to the relevant Settlement Period. Correction would not be made if the corrected Volume Notification would have been invalid (pursuant to paragraph 2.3.4 or 3.3.4 of Section P of the Code³) or treated as rejected (in relation to the relevant Settlement Period) or refused (pursuant to paragraph 2.4 or 3.4 of Section P of the Code³) if such corrected Volume Notification had been submitted.

The Panel would notify its determination to all Contract Trading Parties and the relevant Volume Notification Agent, together with the reasons indicated by the Panel for its determination and a brief description of the process followed by the Panel in making its determination.

The determination of the Panel would be final and binding on all Parties, subject to the appeals process, outlined below.

2.1.5 Rectification of Errors

Where the Panel determined that an error had occurred and should be corrected:

- (a) the Panel would determine what adjustments were required to the relevant Account Bilateral Contract Volumes, Metered Volume Fixed Reallocations and/or Metered Volume Percentage Reallocations (as the case may be) in order to rectify the error;
- (b) such adjustments would be made as soon as is practicable, and taken into account in the next Settlement Run. This would require the ECVAAs to perform a dispute run as the ECVAAs Run on Day+1 cannot be re-run. The corrected data would be submitted by the

³ Paragraphs 2.3.4 and 3.3.4 of Section P of the Code describe what constitutes a valid ECVNs (2.3.4) and MVRNs (3.3.4) respectively.

ECVAA to the SAA for use in the next Settlement Run for the relevant Settlement Period after such adjustments would have been made;

- (c) if the Final Reconciliation Settlement Run for the relevant Settlement Period had already taken place before the Panel had made its determination, such adjustments would be made as soon as was practicable, and would be taken into account in an Ad Hoc Settlement Run for the relevant Settlement Period after such adjustments had been made, as with the Trading Disputes process. Any costs incurred by the Ad-Hoc Settlement Run, would of course, be shared by the Party and the Counter Party.

The ECVAA System is the only BSC System believed to be impacted by P044 on the basis that the ECVAA would rectify a Volume Notification post Gate Closure. Currently the ECVAA can only correct Volume Notifications post Gate Closure where there has been an ECVAA System Failure as described in paragraph 5 (Failures of the ECVAA System) in Section P of the Code.

This is currently a manual process and it is intended that this process continue on the basis that the number of Volume Notifications determined for rectification will be small. However it should be noted that P035, if approved, would also potentially allow for the rectification of Volume Notifications post Gate Closure. The BSC Central Service Agent has previously indicated that the ECVAA System could be automated, however there would be additional costs associated with this.

The BSC Central Service Agent is therefore asked to indicate what changes to the ECVAA System would be required for P044 as well as the timescale for developing, implementing and operating this service and what development timescale would be required. The BSC Central Service Agent would be required to modify their ECVAA design documentation to reflect this process.

All other processing would continue as currently performed.

Where, in relation to a claim, the adjustments to the data resulted in a reduced debit or increased credit in the Relevant Account Energy Imbalance Cashflow of the relevant Contract Trading Parties (or either of them individually), such Party or Parties would be liable to pay to the BSC Clearer the payment(s) applicable to its or their Energy Account(s).

The amounts of the entitlements and liabilities would be treated as Ad Hoc Trading Charges in accordance with Section D of the Code.

2.1.6 Credit Arrangements

Where an error was corrected, the correction would be taken into account for the purposes of the determination of the relevant Contract Trading Parties' Credit Cover Percentages in relation to Settlement Periods for which Gate Closure occurred after, but not earlier than, the date of the correction ie. it is not applied for the Settlement Period which was affected by the claim.

Where, in accordance with Section M of the Code, a relevant Contract Trading Party was treated before the time of the rectification as being in Credit Default and would not have been so treated had the corrected Volume Notification been submitted:

- (i) Section M3.5 (Result of Trading Dispute)⁴ of the Code would not apply, and such Party would not be entitled to any right or remedy in respect of being so treated; and
- (ii) to the extent that, as a result of such Party being so treated, any other Volume Notification was treated as rejected (in relation to any Settlement Period) or refused, such refusal or rejection would not be affected or prejudiced by the rectification of the error and Section M4 (Credit Cover Errors and Compensation)⁵ of the Code would not apply.

In addition, where in accordance with Section M (Credit Cover and Credit Default) of the Code, a relevant Contract Trading Party would have been treated before the time of the rectification as being in Level 2 Credit Default had the corrected Volume Notification been submitted, and was not so treated, the rectification of the error would not affect or prejudice any other Volume Notification which was not treated as refused before, or rejected as to Settlement Periods for which Gate Closure was before, the time of the rectification.

The time of the correction an error would be the time with effect from which the ECVA entered into its BSC Agent System the adjustments as determined by the Panel.

2.1.7 Appeal to Authority

Where the Panel made a determination any Party would be able to refer such determination to the Authority subject to the rules below:

- (a) the appeal was submitted no later than five Business Days after the relevant determination was notified to all Contract Trading Parties by the Panel.
- (b) solely on one or both of the grounds below:
 - the procedures had not been followed in relation to the claim of an error(s) forming the subject of the relevant determination; or
 - new information had emerged since the relevant determination was made, which would be of relevance to the determination.
- (c) the appeal was submitted in writing to the Authority, copied to the Panel Chairman, setting out the grounds upon which the reference was made and the reasons why the Party making such reference believed that the Authority should exercise its powers set out below:
 - substitute its own determination of the matter(s); or
 - resubmit the matter(s) back to the Panel to be decided again or in the light of the new information which had emerged (as the case may be); or
 - uphold the relevant determination.
- (d) the administration fee of £5000.00 had been paid (this is additional to that provided with the claim), in accordance with Section 2.1.2.

⁴ Paragraph 3.5 of Section M of the Code describes the process whereby a Credit Default is removed where the Trading Dispute has so determined that it was previously erroneously applied.

⁵ Paragraph 4 of Section M of the Code describes the compensation process which will apply in the event that the Trading Party's Credit Cover Percentage was incorrectly determined resulting in that Trading Party being erroneously in level 1 default and / or in Credit Default.

The decision of the Authority would be final and binding. The Authority would not act as an expert or an arbitrator in making any decisions and the provisions of the Arbitration Act 1996 would not apply in respect of any such decisions.

3 REVISED REQUIREMENTS SPECIFICATION

Following analysis of the responses to the first consultation and HLIA, the Group at its second meeting on 5 December 2001 have refined the requirements that are included in section 2 of this document. This section details those refinements.

To ensure a consistent approach between this section and the latter, all of the sub-sections from section 2 are included and this section will indicate whether or not there is any refinement to the sub-section requirement.

3.1 Scope of Claims

Refinements are required to this process.

The requirement of the original P044 was to encompass the four circumstances 'tests' A) through to D) within the Code. The Group at its meeting on 5 December 2001 agreed that although P004 'Dual Contract Notification' would not remove the need for P044, the tests relating to the availability of ECVAAs reporting should be made more generic, in recognition not just of the potential for P004 to introduce new reports, but for other reporting enhancements that may occur (and indeed have occurred). The Group also agreed that the Code should contain a generic description of a 'Reasonable and Prudent Operator' (being an operator whose risk management is commensurate with the level of risk associated with their trading strategy).

3.2 Submission of Claim

No refinements are required to this process.

3.3 Administration of Claim

No refinements are required to this process.

3.4 Determination of Claim

Refinements are required to this process.

One of the key elements of this process was based on the concept of the claimant being able to 'prove beyond reasonable doubt' that they had a valid claim. The Group at its meeting on 5 December 2001 agreed to revise this concept so that instead the claimant would have to be able to demonstrate to the satisfaction of the Panel that there was a valid claim. Guidelines would be produced by BSCCo for assisting the Panel with their determination.

All other requirements remain unchanged.

3.5 Rectification of Errors

Refinements are required to this process.

This is the key area of change, resulting in an Alternative Modification Proposal to P044 being progressed by the Group. Section 2 does not include the ECP process which has been proposed for P037. However the Group agreed that following the analysis of the results of the consultation and HLIA that ECP should be included within the scope of P044. The Group did not agree that capping arrangements should form part of P044.

The changes proposed are as follows:

- SAA would calculate the ECP for those Energy Account(s) of the relevant Contract Trading Party(ies) for which adjustment of the data results in a reduced debit or increased credit in the Relevant Account Energy Imbalance Cashflow.
- If the adjustments to the data result in a reduced debit or increased credit in the Relevant Account Energy Imbalance Cashflow of the relevant Contract Trading Parties (or either of them individually), the Party or Parties would be liable to pay to the BSC Clearer ECP(s) applicable to its or their Energy Account(s). The ECP would be set at [10% of the change in Energy Imbalance liability]⁶ and there would be no cap set.
- The amount of ECP(s) made by the relevant Contract Trading Parties would be paid by the BSC Clearer to Trading Parties by way of an ECP Reallocation.
- If a Party was the subject of two claims relating to the same settlement period that were subsequently upheld, the ECPs would be calculated in the order in which the claims were received by BSCCo.
- BSCCo would calculate the ECP and the ECP Reallocation (ECPR) for each Energy Account of each Trading Party, using the process proposed for P037 (excluding the cap).
- The amounts of the entitlements would be processed as Ad Hoc Trading Charges in accordance with the existing arrangements in Section N, 6.9 of the Code.

All other requirements remain unchanged.

3.6 Credit Arrangements

No refinements are required to this process.

3.7 Appeal to Authority

No refinements are required to this process.

The BSC Central Service Agent is therefore asked to indicate what changes to the BSC Systems would be required for the Alternative P044 Modification Proposal as well as the timescale for developing, implementing and operating this service and what development timescale would be required. The BSC Central Service Agent would be required to modify their design documentation to reflect this process.

⁶ This value is bracketed on the basis that the results of the second consultation and DLIA will determine whether or not this percentage figure is reasonable.

4 CHANGES REQUIRED TO THE CODE, CODE SUBSIDIARY DOCUMENTS, OTHER CONFIGURABLE ITEMS & INDUSTRY DOCUMENTS

This section defines the amendments that would be required to the BSC Systems, the Code, Code Subsidiary Documents and industry documents.

4.1 Code

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

- Section D 'BSC Cost Recovery and Participation Charges'
- Section G 'Contingencies'
- Section M 'Credit Cover and Credit Default'
- Section P 'Energy Contract Volumes and Metered Volume Reallocations'
- Section X 'Definitions and Acronyms', Annex X-1 and Annex X-2

Section P is the one Section that would be greatest impacted by P044. The proposed legal text is currently being drafted by the ELEXON Legal Department and will be issued for review separately; where appropriate it will be based on that proposed for P037.

4.2 Code Subsidiary Documents

The following Code Subsidiary Documents would be impacted and any changes required would be developed by ELEXON after the Authority approved P044. ELEXON, in consultation with Parties, would decide on the appropriate level of changes to be incorporated.

4.2.1 ECVAA Service Description

The ECVAA Service Description which is the means by which the contractual obligations would be placed on the ECVAA would require changes so that the ECVAA would be involved in the error correction process.

4.2.2 Business Process Model

This revised process would be incorporated within the Business Process Model.

4.2.3 NETA Data File Catalogue

The interfaces would be incorporated within the NETA Data File Catalogue.

4.3 Other Configurable Items

4.3.1 ECVAA User Requirement Specification

The ECVAA User Requirement Specification would require changes to include the error correction process.

4.4 Potential Changes to Core Industry Documentation

It is not believed that any changes are required to Core Industry Documents.

5 FURTHER CHANGES REQUIRED TO THE CODE, CODE SUBSIDIARY DOCUMENTS, OTHER CONFIGURABLE ITEMS & INDUSTRY DOCUMENTS

Following analysis of the responses to the first consultation and HLIA, the Group at its second meeting on 5 December 2001 have refined the amendments that would be required to the BSC Systems, the Code, Code Subsidiary Documents and industry documents that are included in section 4 of this document. This section details those refinements.

To ensure a consistent approach between this section and the latter, all of the sub-sections from section 4 are included and this section will indicate whether or not there is any refinement to the sub-section requirement.

5.1 Code

Refinements are required to Section P to accommodate the ECP process.

The legal text will be based on that proposed for P037 (alternate) . The proposed legal text is currently being drafted by the ELEXON Legal Department and will be issued for review separately.

5.2 Code Subsidiary Documents

The following Code Subsidiary Documents would be impacted and any changes required would be developed by ELEXON after the Authority approved P044. ELEXON, in consultation with Parties, would decide on the appropriate level of changes to be incorporated.

5.2.1 ECVAA Service Description

No refinements are required to this document.

5.2.2 SAA Service Description

The SAA Service Description will need to be amended to reflect the need to undertake the ECP calculations and processes (calculating individual ECPs, calculating associated ECRPs and notifying FAA and BSCCo of the outcomes).

5.2.3 Business Process Model

Refinements will be required to include the ECP process in the Business Process Model.

5.2.4 NETA Data File Catalogue

Refinements will be required to include the ECP interface process in the NETA Data File Catalogue.

5.2.5 New BSC Procedure

A new BSC Procedure (BSCP) will be required to document the following. Describe the:

- submission of the claim;

- validation of the claim following the analysis of supporting evidence provided by the relevant participants;
- the process adopted for determining the claim by the Panel (or a Panel sub-committee);
- the notification of the Panel decision on the claim;
- the administration of the finances relating to:
 - the administration fee;
 - the credit arrangements; and
 - where a claim is deemed to be valid, the calculation and billing of the ECP;
- the appeals process.

5.2.6 FAA Service Description.

Refinements are required to include the administration of the ECP .

5.3 Other Configurable Items

5.3.1 ECVA User Requirement Specification

No refinements are required to this document.

5.3.2 SAA User Requirement Specification

The SAA User Requirements Specification will need to be amended to reflect the need to undertake the ECP and related calculations and reporting.

5.3.3 FAA User Requirement Specification

Refinements are required to include the calculation of the ECP if the FAA is to undertake this process.

5.4 Potential Changes to Core Industry Documentation

No refinements are required to this documentation.

6 RELATED MODIFICATION PROPOSALS

There are four Modification Proposals which relate to P044 and these are presented below in sequential order:

6.1 P004 'DUAL CONTRACT NOTIFICATION'

This Modification Proposal was raised by Dynegy on 28 March 2001.

P004 if approved by the Authority would introduce enhanced reporting. A key element of P004 would be the introduction of a new Acceptance Feedback Report, which would be issued to Parties and Volume Notification Agents within fifteen minutes of a successfully validated Volume Notification. The introduction of P004 would therefore enable a Party to know its traded position up to the Settlement Period ending at 20:00 hours on the basis that the Acceptance Feedback Report would be issued by the ECVA at 20:15 hours, ie. fifteen minutes before Gate Closure). The final Settlement Period before Gate Closure would not result in an Acceptance Feedback Report being issued before Gate Closure.

One of the key reasons why P044 has been raised is because currently there is no dynamic reporting available post 18:30 hours, therefore those Parties who choose to submit Volume Notifications after 18:30 hours will not know if their Volume Notification has been successful until they receive the next '7 Day Report'; which will be issued on the following day.

6.2 P019 'TO PROVIDE FOR THE REMEDY OF ERRORS IN ENERGY CONTRACT VOLUME NOTIFICATIONS AND IN METERED VOLUME REALLOCATION NOTIFICATIONS'

This Modification Proposal was raised by London Electricity Plc on 11 June 2001.

P019 proposed that where a Volume Notification failed to reflect the true trading position of one or more Parties, the Party/Parties concerned would be entitled, once it/they had recognised the error, to submit within a period of 72 hours, a claim for the error to be rectified. There was also the proposal for Parties to claim rectification of errors in respect of Settlement Periods where Gate Closure had occurred before the publication or adoption of the Modification Proposal, even when the 72 hour limit had been passed.

The Authority in its determination dated 1 August 2001 rejected P019. The determination decision outlined a number of key factors which should be taken into account in progressing P044, which addresses similar issues. These key factors are:

- "Ofgem is of the opinion that it is essential that there should be strong incentives on BSC Parties to deliver correction notifications. If the incentives to have robust risk management systems in place are inadequate, it is likely that notifications would need to be frequently adjusted for errors that could adversely affect the efficient administration of the BSC. A correction mechanism for erroneous notifications may also create a possibility of intentional post Gate Closure adjustments to traded quantities. There could be a risk of undermining the strong commercial incentives on participants to balance their own positions ahead of real time" (paragraph 18).

- “It was specifically noted in the NETA Programme/ELEXON consultation document for Manifest Errors in Balancing Mechanism Transactions that at NETA Go-Live there would be no manifest error provisions for the notification of energy contract volumes or metered volume reallocations. The consultation document stated that it was expected that the industry would put in place appropriate legal and practical arrangements to manage the risk of errors. It went on to say that BSC Parties “would, of course be free to make a modification proposal post Go-Live to address this issue, should they wish” (paragraph 19).
- “While understanding that it may be impossible to eliminate completely the element of human error or software error, Ofgem reserves that BSC Parties have a clear knowledge of the timing of Gate Closure and can, in conjunction with the reporting systems available, take a view on how close to that time they wish to notify and to what extent they wish to check and correct such notifications in the light of the known risk they would be facing. We also note that those Parties who wish to reduce the risk of notification errors can provide additional opportunity for checks by contracting these services elsewhere, for example, with independent dual-notification agents” (paragraph 21).
- “As noted above, Ofgem considers that a key feature of the NETA arrangements underpinning the incentives on Parties to balance their positions is that Parties take active responsibility for the accurate notification of the energy transfer quantities. In the foreknowledge of the risks, many Parties will take care in their notifying arrangements and systems to avoid such errors and the consequences of such errors. Others will choose to use independent agents to notify on their behalf or use the power-exchanges to trade close to Gate Closure. It is not clear whether more trading would take place off the exchanges close to Gate Closure, were an error correction mechanism to be available” (paragraph 23).

6.3 P035 ‘QUALIFIED ECVNAS’

This Modification Proposal was raised by Automated Power Exchange on 5 September 2001.

P035 proposed that ECVNAs be able to hold a qualification status such that any Volume Notifications held by them at Gate Closure would be considered to be firm for Settlement purposes, irrespective of whether the Volume Notification had been received by the ECVAAs prior to Gate Closure.

P035 is currently in the Definition Procedure and would if approved allow the post Gate Closure amendment of ECVNs in certain pre-defined circumstances. The process of ‘correcting’ these errors would potentially be the same as for P044.

6.4 P037 ‘TO PROVIDE FOR THE REMEDY OF PAST ERRORS IN ENERGY CONTRACT VOLUME NOTIFICATIONS AND METERED VOLUME REALLOCATIONS’

This Modification Proposal was raised by London Electricity on 11 September 2001.

P037 has been progressed as an Urgent Modification Proposal and has not yet been approved or rejected by the Authority. P037 if approved would enable a Party to lodge a claim for a limited period of time ie. within 5 days of the Authority determination. Although P037 is a retrospective Modification Proposal; a number of its mechanism are relevant to P044.

6.5 CONCLUSION

Although each of these Modification Proposals are being progressed at different stages within the Modification Procedure, they all have one or more elements which are relevant to P044. Therefore the Authority determination on one or more may require a revision to the scope of P044.

7 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 this, ELEXON recognise that responsibility for design, testing and implementation of the ECVAA 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 BSC Central Service Agent can estimate.

7.1 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.

7.2 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's 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.

7.3 Implementation

ELEXON anticipate the following interaction with the BSC Central Service Agent'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.