

INITIAL WRITTEN ASSESSMENT OF MODIFICATION PROPOSAL P044

Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test

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I	CONTENTS TABLE	
a	Document Control	2
I	Contents Table	3
1	Introduction	4
1.1	Executive Summary	4
1.2	Recommendations	5
2	Purpose and Scope of the Report	6
3	Details of the Modification Proposal	7
4	Impact on BSC Systems and Processes	9
5	Impact on Other Systems and Processes Used By Parties	10
6	Impact on Documentation	11
6.1	Impact on Balancing and Settlement Code.....	11
6.2	Impact on Code Subsidiary Documents.....	14
6.3	Impact on Core Industry Documents.....	15
7	Impact on Other Configurable Items	16
8	Impact on ELEXON	17
9	Impact on Financial Arrangements and Budget	18
10	Impact BSC Agent Contractual Arrangements	19
11	Process and Timetable for Progressing the Proposal	20
11.1	Outline Timetable.....	20
11.2	Impact Assessment Costs.....	20
11.3	Modification Group Terms of Reference	20
12	Issues	21
	Annex 1 – Modification Proposal – P044	24

1 INTRODUCTION

This Report has been prepared by ELEXON Ltd. on behalf of the Balancing and Settlement Code Panel ('the Panel'), in accordance with the terms of the Balancing and Settlement Code ('BSC'). The BSC is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the BSC.

An electronic copy of this document can be found on the BSC website, at www.elexon.co.uk.

1.1 Executive Summary

Modification Proposal P044 (the Modification Proposal) 'Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test' was submitted on 8th October 2001 by Powergen.

The Modification Proposal seeks to modify the BSC 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. This Modification Proposal seeks to address the increased risks faced by Parties that have no alternative but to notify their Volume Notifications close to Gate Closure.

An initial assessment of the Modification Proposal has identified the following potential areas of impact and issues to be considered:

- There will be an impact on the BSC, Code Subsidiary Documents and potentially the established Grid Transfer Master Agreements (GTMA's); although any changes to the GTMA's are outside the governance of the BSC;
- There will be an impact on the NETA Central Service Agent in particular the Energy Contract Volume Aggregation Agent (ECVAA) who will be required to process Volume Notifications post Gate Closure as part of the error correction process;
- There will be an additional workload on the Panel who will be responsible for determining the validity of a claim;
- There are overlaps with Modification Proposal P35 'Qualified ECVNAs' (P035), which is currently in the Definition Stage, as this Modification Proposal attempts to allow changes to ECVNs post Gate Closure as a consequence of Energy Contract Volume Notification Agent (ECNVA) error failure;
- There are parallels with Modification Procedure P37 'To provide for the remedy of past errors in Energy Contract Volume Notifications and in Metered Volume Reallocation Notifications' (P037), which is being progressed as an Urgent Modification Proposal, as this Modification Proposal attempts to introduce a process for correcting historic errors in ECVNs and MVRNs, though for a limited period of time only;
- The Authority has not yet approved Modification Proposal P004 'Dual Energy Contract Notification' (P004). However, P004 addresses the issue raised by the Modification Proposal where Parties do not receive reports from the ECVAA showing within day Volume Notifications. Implementing P004 will improve reporting so that Parties and Volume Notification Agents will know their contracted positions in real time;
- There will be an impact on Parties who choose to exercise the process; and
- There will also be an impact on ELEXON in supporting the processing of claims.

1.2 Recommendations

It is recommended that the Modification Proposal is progressed as follows:

1. through the Assessment Procedure (as defined in the BSC, Section F2.6) on the basis that the existing ECVAAs System Failure process and the Trading Queries and Trading Disputes processes would be utilised, in order to enable a Modification Group to consider the Modification Proposal fully, and any Alternative Modification Proposal that might achieve the aims of the Modification Proposal more effectively and economically.
2. the Assessment Report be submitted to the Panel Meeting on 17th January 2002 on the basis that there are other Modification Proposals which overlap with the Modification Proposal and these need to be taken into consideration before any detailed work is progressed on the Modification Proposal. In particular:
 - a) the Authority has not yet provided a determination on P004. Their determination on P004 may have a significant impact on the way in which the Modification Proposal is progressed. It is therefore not desirable to progress any detailed work on the Modification Proposal until a determination has been reached on P004.
 - b) P037 will be presented to the Panel for decision on 31st October 2001 and thereafter to the Authority for determination. As this Modification Proposal will allow Volume Notifications to be 'corrected' for a limited period of time, the determination made will need to be considered in determining the way forward for the Modification Proposal.
 - c) P035 is currently being progressed through the Definition Stage. Until the Modification Proposal has reached the Assessment Procedure, the proposed implementation approach will not be agreed and the principles proposed may have an impact on the Modification Proposal.

2 PURPOSE AND SCOPE OF THE REPORT

Section F of the BSC sets out the procedures for progressing proposals to amend the BSC (known as 'Modification Proposals'. These include procedures for proposing, consulting on, developing, evaluating and reporting to the Authority on potential modifications.

The BSC Panel is charged with supervising and implementing the modification procedures. ELEXON provides the secretariat and other advice, support and resource required by the Panel for this purpose. In addition, if a modification to the Code is approved or directed by the Authority, ELEXON is responsible for overseeing the implementation of that amendment (including any consequential changes to systems, procedures and documentation).

When a new proposal to modify the BSC is made, it is the responsibility of the Panel to determine how it should be progressed. Options include submitting the proposal to a Definition Procedure¹, submitting it to an Assessment Procedure², amalgamating the proposal with another proposal³, or proceeding directly to the Report Phase⁴. With a view to assisting the Panel in taking this decision, ELEXON prepares this initial written assessment of the implications of the Modification Proposal as soon as reasonably practicable after the proposal is made⁵. ELEXON endeavours to complete this initial assessment such that it can be reviewed by the Panel at the Panel meeting at which the relevant Modification Proposal is first to be considered.

This initial assessment provides a preliminary view on the following:

- the potential impact of the proposed modification on BSC Systems and processes;
- the potential impact of the proposed modification on other systems and processes used by Parties;
- the potential impact of the proposed modification on the BSC, Code Subsidiary Documents and Core Industry Documents;
- the potential impact of the proposed modification on ELEXON;
- the potential impact of the proposed modification on BSC financial arrangements & budget;
- the potential impact of the proposed modification on BSC Agent contractual arrangements;
- The process and timetable that should be adopted for the progression of the Modification Proposal, in light of its complexity, importance and urgency; and
- Issues that will need to be considered and addressed in progressing the Modification Proposal (including the potential need for impact assessments, consultation and analyses).

It should be noted that, as this document only represents a preliminary assessment of the Modification Proposal, the information contained herein will, in most cases, be superseded by the subsequent analysis and reports produced by the Modification Group to which the Panel assigns the proposal for consideration.

¹ see BSC F2.5

² see BSC F2.6

³ see BSC F2.3

⁴ see BSC F2.7

⁵ see BSC F2.1.8

3 DETAILS OF THE MODIFICATION PROPOSAL

A copy of the Modification Proposal form, as submitted by its Proposer, can be found at Annex 1 to this report. The form contains the following information provided by the Proposer in relation to the proposal⁶:

- the name of the Proposer;
- the name of the representative of the Proposer (and his alternate) who shall represent the Proposer in person;
- a description (in reasonable but not excessive detail) of the issue or defect which the proposed modification seeks to address;
- a description (in reasonable but not excessive detail) of the proposed modification and of its nature and purpose;
- where possible, an indication of those parts of the Code which would require amendment in order to give effect to (and/or would otherwise be affected by) the proposed modification and an indication of the nature of those amendments or effects;
- the reasons why the Proposer believes that the proposed modification would better facilitate achievement of the Applicable BSC Objective(s) as compared with the then current version of the Code;
- where possible, an indication of the impact of the proposed modification on Core Industry Documents; and
- where possible, an indication of the impact of the proposed modification on BSC Systems and on other relevant computer systems and processes used by Parties.

The Modification Proposal proposes that Parties should be able to apply to the Panel requesting the ex post creation of new ECVNs / MVRNs or amendment of a previously notified ECVN / MVRN in the following pre-defined circumstances by 17:00 hours on the first Business Day following the 'effective day' of the Volume Notification:

- a) 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 ie. Gate Closure; or
- b) The Forward Contract Report (E0221) had not been sent by the ECVAA to any of the Parties involved

provided that:

- The claimant can demonstrate beyond reasonable doubt that it had taken all reasonable steps to prevent Volume Notification errors happening in the first place; and
- The claim is supported by both Parties in the case of inter-company transactions and a Directory / Company Secretary in the case of intra-company transactions.

This arrangement will not apply to any Settlement Days prior to the Implementation Date.

⁶ see BSC F2.1.2

Initial Written Assessment of Modification Proposal P044

A key feature of this Modification Proposal is therefore the ability of Volume Notifications to be submitted or amended post Gate Closure subject to Panel authority.

4 IMPACT ON BSC SYSTEMS AND PROCESSES

BSC System / Process	Potential Impact of Proposed Modification
Registration	No impact identified
Contract Notification	<p>The existing contract notification process already allows for Volume Notifications to be 'corrected' post Gate Closure, in the event of ECVAA System Failure. However the adjustment by the ECVAA is currently a manual process. Any significant increase in the Volume Notifications may require the NETA Central Service Agent to either:</p> <ul style="list-style-type: none"> ▪ Maintain additional personnel to process the Volume Notifications (though this is open to human error during manual data entry and may incur additional costs); or ▪ Upgrade the existing manual process to an automated process (the NETA Central Service Agent has already indicated for Modification Proposal P001 'Extension to the Definition of ECVAA System Failure' that this would cost in the region of £250,000 and cannot be delivered until 2003 due to commitments on the BSC Systems Release 2 Project).
Credit Checking	No impact identified
Balancing Mechanism Activities	No impact identified
Collection and Aggregation of Metered Data	No impact identified
Supplier Volume Allocation	No impact identified
Settlement	No impact identified
Clearing, Invoicing and Payment	No impact identified
Reporting	No impact identified
Dispute Resolution	The existing dispute resolution process already allows for a Party to raise a Trading Query / Trading Dispute. Therefore a Party who had lodged a claim, which had not been approved as a valid claim, could raise a Trading Query / Trading Dispute.

5 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

System / Process	Potential Impact of Proposed Modification
SO and Party Systems	<p>Parties wishing to lodge a claim would be impacted as follows:</p> <ul style="list-style-type: none">▪ They would lodge their claim, including supporting evidence with the Panel and provide the one-off administration fee▪ They would attend and provide further evidence to any meeting at which the claim was discussed▪ They would accept the determination reached by the Panel▪ If dissatisfied with the Panel determination, they would raise a Trading Query / Trading Dispute.

6 IMPACT ON DOCUMENTATION

6.1 Impact on Balancing and Settlement Code

BSC Section	Potential Impact of Proposed Modification
A: Parties and Participation	No impact identified
B: The Panel	No impact identified
C: BSCCo and its Subsidiaries	No impact identified
D: BSC Cost Recovery and Participation Charges	No impact identified
E: BSC Agents	No impact identified
F: Modification Procedures	No impact identified
G: Contingencies	No impact identified
H: General	No impact identified
I: Not Used	No impact identified
J: Party Agents	No impact identified
K: Classification and Registration of Metering Systems and BM Units	No impact identified
L: Metering	No impact identified
M: Credit Cover and Credit Default	No impact identified
N: Clearing, Invoicing and Payment	No impact identified
O: Communications	No impact identified

BSC Section	Potential Impact of Proposed Modification
P: Energy Contract Volumes and Metered Volume Reallocations	<p>This Section would describe the new process which include the following:</p> <ul style="list-style-type: none"> ▪ A Party could lodge a claim providing pre-defined criteria were met ▪ BSCCo would issue an invoice, in accordance with the existing provisions in Section D, to the Party lodging the claim and would secure the one-off administration fee from the Party prior to investigating the claim ▪ BSCCo would determine the validity of the claim and notify the Party (and additionally ECVAA of a valid claim) ▪ ECVAA would process the 'correct' Volume Notification and provide the data to the SAA and notify the Party
Q: Balancing Mechanism Activities	No impact identified
R: Collection and Aggregation of Metered Data from CVA Metering Systems	No impact identified
S: Supplier Volume Allocation	No impact identified
S: ANNEX S-1 Performance Levels and Supplier Charges	No impact identified
S: ANNEX S-2 Supplier Volume Allocation Rules	No impact identified
T: Settlement and Trading Charges	No impact identified
U: Provisions Relating to Settlement	No impact identified
V: Reporting	No impact identified
W: Trading Queries and Trading Disputes	No impact identified
X: Definitions and Interpretation	Potentially a term will be defined to describe the term 'valid claim'.
X: ANNEX X-1 General Glossary	No impact identified

BSC Section	Potential Impact of Proposed Modification
X: ANNEX X-2 Technical Glossary	No impact identified

6.2 Impact on Code Subsidiary Documents

Code Subsidiary Document	Potential Impact of Proposed Modification
BSC Procedures	The Modification Proposal states that a new BSCP is required to manage the new claims process. However it is not believed this is necessary if the appropriate detail is included in Section P of the BSC.
Codes of Practice	No impact identified
BSC Service Descriptions	<p>The Modification Proposal will require changes to the ECVAA Service Description to support the 'correction' process as follows:</p> <ul style="list-style-type: none"> ▪ Define the interactions between the ECVAA and the affected parties eg. Panel, Parties, SAA ▪ Clarify in what circumstances a Volume Notification can be changed, subject to authority ▪ Processing of the 'correct' Volume Notification
Party Service Lines	No impact identified
Data Catalogues	No impact identified
Communication Requirements Documents	No impact identified
Reporting Catalogue	No impact identified

6.3 Impact on Core Industry Documents

Core Industry Document	Potential Impact of Proposed Modification
Grid Code	No impact identified
MCUSA	No impact identified
Supplemental Agreements	No impact identified
Ancillary Services Agreements	No impact identified
Master Registration Agreement	No impact identified
Data Transfer Services Agreement	No impact identified
British Grid Systems Agreement	No impact identified
Use of Interconnector Agreement	No impact identified
Pooling and Settlement Agreement	No impact identified
Settlement Agreement for Scotland	No impact identified
Distribution Codes	No impact identified
Distribution Use of System Agreements	No impact identified
Distribution Connection Agreements	No impact identified

7 IMPACT ON OTHER CONFIGURABLE ITEMS

Item	Potential Impact of Proposed Modification
ECVAA Software	The existing process used by the ECVAA to 'correct' Volume Notifications is manual and thus there are risks of human error. If the numbers of Volume Notifications to be 'corrected' are to increase significantly as a result of the Modification Proposal (or indeed any other Modification Proposal) the existing manual process may be insufficiently robust, in which case an alternative solution will be required eg. automated.

8 IMPACT ON ELEXON

Area of Business	Potential Impact of Proposed Modification
ELEXON Systems	No impact identified at this stage
ELEXON Procedures	<p>The Finance Department will be required to have procedures in place to deal with the on going processing the one-off administration charge, as follows:</p> <ul style="list-style-type: none"> ▪ Issue an invoice for payment by the Party for the one-off non-refundable administration fee ▪ Process the fee made by the Party <p>ELEXON may be required to provide support to the Panel in determining whether or not the claim is valid and the Disputes Department may be involved in investigating any claim. They will therefore be required to have procedures in place which will document the process to be adopted.</p> <p>Elexon would liaise with the NETA Central Service Agent to instruct them to process a valid claim, although this is no different to current operations, though volumes may increase.</p>
ELEXON Contracts (Excluding BSC Agent Contracts)	No impact identified at this stage
Other (e.g. costs, staffing, etc.)	<p>The Finance Department would incur additional costs in processing the invoices relating to the administration fee.</p> <p>If the TDC were to be appointed as the custodian of this new service, then potentially additional ELEXON resources would be required to provide support in administering the claims.</p>

9 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

The financial impact of this Modification Proposal has not been identified at this stage, although it is anticipated that there will be some contractual changes required to the NETA Central Service Agent agreement to implement this new service. However it is not believed that these changes will be significant on the basis that the NETA Central Service Agent systems currently allows for Volume Notifications to be 'corrected' post Gate Closure. There will of course be additional costs if the ECVAA process for handling the 'correct' Volume Notifications is to be automated, however this cost could be shared across the relevant Modification Proposals.

10 IMPACT BSC AGENT CONTRACTUAL ARRANGEMENTS

BSC Agent Contract	Potential Impact of Proposed Modification
Logica Consortium (BMRA, CRA, CDCA, SAA, ECVAA, TAA(CVA))	The new service will require the ECVAA to process 'correct' Volume Notifications post Gate Closure. However this is a service already provided by the NETA Central Service Agent therefore the impact on the contractual arrangements should be minimal. This assessment will however be confirmed through an impact assessment.
EPFAL (FAA)	No impact identified
ESIS (TAA(SVA))	No impact identified
Cap Gemini (SVAA)	No impact identified
PwC (BSC Auditor, Certification Agent)	If an alternate body to the Panel was to be appointed to oversee the processing of claims eg. BSC Auditor, then revised contractual arrangements would need to be put in place.
EASL (Teleswitch Agent, Profile Administrator)	No impact identified

11 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

ELEXON recommends that this Modification Proposal is progressed through the Assessment Procedure on the basis that the Modification Proposal is fairly well defined as it will use existing ECVA System Failure process and the Trading Queries and Trading Disputes processes. The Assessment Procedure is recommended recognising the potential impact of changes which may be required to:

- The NETA Central Service Agent's services and systems and the related development needed;
- The GTMAs; and
- Parties' associated systems and processes.

It should be noted that there are interactions between the Modification Proposal and three other Modification Proposals ie. P004, P035 and P037. ELEXON therefore recommends that the Assessment Procedure for the Modification Proposal should be performed by a Modification Group appointed by the Panel taking into account the Modification Groups that have been used for P035 and P037.

It is proposed that the Assessment Report be provided to the Panel meeting in accordance with the timescale specified in Section 1.1.

11.1 Outline Timetable

The recommendation to provide the Assessment Report to the Panel meeting in January 2002 is based on the fact that progress should have been made on P004, P0035 and P0037 respectively. At this point it is not possible to provide an outline timetable on the basis that there are dependencies on the Modification Proposals listed above. Following the Panel meeting, however an outline timetable will be produced which will reflect the decisions reached. A revision to the timetable may of course be made following the Authority determination on the respective Modification Proposals ie. P004⁷ and P0037⁸.

11.2 Impact Assessment Costs

Progressing the Modification Proposal will require at least two meeting of the Modification Group and the commissioning of impact assessments from Parties and the NETA Central Service Agent. It is believed to be of medium complexity and a budget of £40K should be established to enable progress of the Modification Proposal through the impact assessment stage.

11.3 Modification Group Terms of Reference

It is proposed that the Modification Group's terms of reference, include:

- i) the examination of the Modification Proposal;
- ii) consideration of the issues raised in the Initial Written Assessment; and
- iii) consultation on the proposal and alternatives, if any.

⁷ This Modification Proposal is currently awaiting an Authority determination.

⁸ This Modification Proposal will be presented to the Authority for determination if the Panel approve the proposals presented to them on 31st October 2001.

12 ISSUES

The following issues will need to be considered and addressed in progressing the Modification Proposal:

1. The main issue to be considered is that the Modification Proposal states that a claim can be made in one of two circumstances, when either:
 - a) the Volume Notification in question had to be submitted after Gate Closure; and
 - b) the Forward Contract Notification Report (ECVAA-I022) had not been sent by the ECVA.

The claim would be treated as valid if a Party was able to demonstrate beyond all reasonable doubt that it had taken all reasonable steps to prevent Volume Notification errors happening in the first place and minimising the impact of errors should they actually occur and the claim is supported by two parties (for inter-company transactions) and a Director / Company Secretary (for intra-company transactions). However this raises issues relating to how the Party can prove beyond reasonable doubt that their claim is valid.

2. P004 addresses the issue raised in the Modification Proposal '... there are specific circumstances in which BSC Parties and ECVNAs are unable to check submitted data where reports are not received from the ECVA showing within day notifications and contracted positions'. P004, if approved by the Authority, will result in two reporting enhancements, one of which will result in a new 'Acceptance Feedback Report'⁹ being issued to Parties and the relevant ECVNAs / MVRNAs within 15 minutes of receipt of a successful validated Volume Notification. This will allow a Party to determine quickly whether or not it's Volume Notification has been submitted successfully. Therefore consideration needs to be given as to how far P004 addresses the issues raised by the Modification Proposal.
3. If the Modification Proposal were to be approved, it is unlikely that any development will be completed until after P004 is implemented on the planned Implementation Date of 27th March 2002. Consideration therefore needs to be given as to whether developing any changes for the Modification Proposal beyond what is intended for P004 is absolutely necessary and that any such development should be deferred until a determination on P004 is provided by the Authority.
4. The Modification Proposal states that 'Any claim would have to be submitted by 17:00 on the Business Day following the 'effective day''. However there is no process described for how the claim should be processed and in what timescales. In addition, depending on the nature and value, a claim may need to be processed quickly because it may place the Party in a weak financial position, which would otherwise not have been the case if a 'correct' Volume Notification had originally been submitted. Therefore the process and the associated timescales need to be considered fully in the Assessment Procedure.
5. The Modification Proposal states that 'BSC Parties should be able to apply to the BSC Panel requesting the ex-post creation' of Volume Notifications. This would require the BSC Panel to put in place processes for administering claims which would add to the existing heavy workload that is already placed upon the Panel. The Panel are required to meet at least once a month, in accordance with Section B, 4.4.1 of the Code. However the administration of claims may require the Panel to meet more frequently or an ad-hoc basis and potentially at short notice. The

⁹ It is intended that this new report will be based on the existing ECVN (ECVAA-I009) and MVRN (SCVAA-I010) Feedback Reports which are generated by the ECVA.

availability of the Panel members on a more frequent or an ad-hoc basis requires full consideration.

6. Potentially an alternative body eg. an existing sub-committee, an independent third party or alternatively the BSC Auditor, could be appointed to oversee the administration and processing of claims. The potential alternatives and the implications of appointing an alternate therefore need full consideration, particularly in view of the existing heavy workload that is placed on the Panel and also that there are already specialist committees which could oversee this new BSC role.
7. The Modification Proposal states that the Party would provide 'a non-refundable administration fee of £5,000'. Though this does not require a change to Section D of the BSC 'BSC Cost Recovery and Participation Charges', the impact of introducing such a further specific charge needs careful consideration as it potentially introduces a precedence for adding a new one-off charge each time a Modification Proposal is approved. This in turn will increase the operational BSCCo costs involved in administering the issuing of invoices and receipt of payment and increase further the complexity of the charging regime. It should also be recognised that when Section D was produced many more specific charges were contemplated but rejected in favour of the Funding Shares approach.
8. The NETA Central Service Agent may be unable to process an increase in the number of post Gate Closure Volume Notifications using its current manual process as a result of the Modification Proposal or any other Modification Proposal. The NETA Central Service Agent has indicated that any increase in Volume Notifications, post Gate Closure, due to this or any other Modification Proposal will potentially require an automated solution to be developed on the basis that the existing process is manual and is error prone. This development would result in NETA Central Service Agent costs in the region of £250,000. However such a development is unlikely to be delivered by the NETA Central Service Agent until 2003 (on the basis that the NETA Central Service Agent are committed to the BSC Systems Release 2 Project developments).
9. The Modification Proposal states that a claim 'would be submitted by 17:00 on the first Business Day following the 'effective day''. This therefore does not allow any claims to be lodged prior to this timescale. P037 on the other hand proposes that claims can be lodged for a limited period of 5 Business Days after the Implementation Date. This indicates that there will be an interim period when no claims can be lodged. Neither Modification Proposal addresses this issue.
10. There are interactions between the Modification Proposal and a number of other Modification Proposals, primarily:
 - a) P004 'Dual Contract Notification';
 - b) P035 'Qualified ECVNAs'; and
 - c) P037 'To provide for the remedy of past errors in Energy Contract Volume Notifications and in Metered Volume Reallocation Notifications'.

Therefore any development on these Modification Proposals should be taken into consideration before any detailed activity is undertaken on the Modification Proposal. In particular, P037 is being presented to the Panel on 31st October 2001 for decision. The Authority determinations on P0037 should wherever possible be taken into account during the development of the Modification Proposal.

In addition, as there are overlaps with other Modification Proposals, one of the Modification Groups already used should be appointed to oversee the Modification Proposal.

Initial Written Assessment of Modification Proposal P044

11. P037 proposes capping the level of the 'error correction payment (ECP)', if a Party's claim is upheld. However the Modification Proposal is silent in this area.
12. Potentially a Party may lodge any number of claims over a period of time. However the Modification Proposal does not define a process to handle the situation where a given Party regularly lodges claims, which may be as a result of poorly defined internal operational procedures. Consideration should be given to introducing a BSC process which would monitor all claims lodged to ensure that any given Party is not using the claims process as an alternative to the contract notification process described in Section P of the BSC and where appropriate reject invalid claims.
13. The Modification Proposal states that an ex post Volume Notification should be allowed when the 'E0221 Forward Contract Report has not been sent to any of the BSC Parties involved'. An analysis could be required to establish the number of occurrences that this report has not be provided in order to establish whether this is a valid criteria for submitting a Volume Notification post Gate Closure.

ANNEX 1 – MODIFICATION PROPOSAL – P044

Modification Proposal	MP No: 44 <i>(mandatory by BSCCo)</i>
Title of Modification Proposal <i>(mandatory by proposer):</i> Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test.	
Submission Date <i>(mandatory by proposer):</i> 8 October 2001	
<p>Description of Proposed Modification <i>(mandatory by proposer):</i></p> <p>This proposal assumes that in the main BSC Parties are able through robust checking processes and systems to minimise the probability of notification errors. Nevertheless, there are specific circumstances in which BSC Parties and ECVNAs are unable to check submitted data where reports are not received from the ECVAAs showing within day notifications and contracted positions.</p> <p>It is proposed that BSC Parties should be able to apply to the BSC Panel requesting the <i>ex post</i> creation of new ECVNs/MVRNs or amendment of a previously submitted ECVN/MVRN when either:-</p> <ul style="list-style-type: none"> • The notification in question had, as part of normal operations¹, to be submitted after 18:30 of the day preceding the 'effective from' date of the notification (i.e. after 18:30 on D-1)², • The E0221 Forward Contract Report had not been sent to any of the BSC Parties involved, provided • 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 notification errors happening in the first place and minimise the impact of errors should they actually occur and • The claim is supported by both parties in the case of inter-company transactions and a Director/Company Secretary in the case of intra-company transactions. <p>For avoidance of doubt the above would not apply retrospectively to errors made prior to implementation of this proposal.</p> <p>Any claim would have to be submitted by 17:00 of the first Business Day following the 'effective day' and would be subject to a non-returnable administration fee of £5,000. In considering whether the claimant has acted as an RPO the Panel would be required to judge a claim against best industry practice (suggested examples of industry best practice are shown in Appendix A). The Panel would also have the power to limit the scope of any claim (which may be made up of a series of similar errors across consecutive periods) to periods during which the claimant has acted as an RPO. In addition they would have to be satisfied that the 'correct' quantities are capable of being verified beyond reasonable doubt by the claimant and other involved parties.</p>	
<p>Description of Issue or Defect that Modification Proposal Seeks to Address <i>(mandatory by proposer):</i></p> <p>Notifications submitted before 18:30 of the day before their 'effective from' date will be 'echoed back' to both affected trading parties on the E0221 Forward Contract Report (7 Day Report). Both counter-parties can validate the notifications on the report against their internal trade database to confirm that the notification creation and despatch process has worked correctly. In the same way, day-ahead notifications that transfer of energy between production and consumption accounts or between parties within an</p>	

¹ Under normal operations an RPO is likely to change or re-submit notifications close to gate-closure to (a) reflect operational failures or (b) fine tune earlier forecasted quantities.

² Claims under this point would not be permitted once improved ECVAAs reporting (MP4) has been implemented.

Modification Proposal	MP No: 44 <i>(mandatory by BSCCo)</i>
<p>affiliated group can be validated by at least one of the parties in the group.</p> <p>Unfortunately, no such facility is available for notifications that have to be submitted after 18:30 of the day before their 'effective from' date. The ECVNA will receive an 'ACK' (acknowledgement) to say that the notification was capable of validation by the ECVA, and if nothing more is heard can assume that the notification has been loaded. The non-notifying party (or parties if a 3rd party ECVNA is being used) hears nothing. Non of the parties involved can be sure that the notification process has been successfully completed.</p> <p>It is not just the adjustment to the position that is put at risk. Many parties use over-write methodologies to notify both net traded positions with counter-parties and internal transfers. The introduction of a minor error into the notification creation process (e.g. multiplication by minus 1) can have a major impact on the final notified position of a party, even if the new information that was meant to be notified was a small quantity.</p> <p>The planned introduction of Improved ECVA Reporting prompted by MP4 indicates that there is a recognised problem. This modification proposal merely seeks to address the increased risk faced by parties that have no choice but to notify close to gate-closure.</p>	
<p>Impact on Code <i>(optional by proposer):</i></p> <p>Section P of the BSC will have to be modified.</p>	
<p>Impact on Core Industry Documents <i>(optional by proposer):</i></p> <p>N/A</p>	
<p>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties <i>(optional by proposer):</i></p> <p>Existing processes for <i>ex post</i> notifications can be used. A BSCP to manage the process will be needed</p>	
<p>Impact on other Configurable Items <i>(optional by proposer):</i></p> <p>None</p>	
<p>Justification for Proposed Modification with Reference to Applicable BSC Objectives <i>(mandatory by proposer):</i></p> <p>The proposal will reduce the risk associated with trading close to gate-closure, where parties legitimately need to amend their balance position at a late stage. In so doing the modification proposal better fulfils the relevant objectives by improving the efficiency of the market, promoting effective competition in generation and supply.</p>	
<p>Details of Proposer:</p> <p style="padding-left: 40px;">Name: Peter Bolitho</p> <p style="padding-left: 40px;">Organisation: Powergen</p> <p>Telephone Number: 024 7642 5441</p> <p style="padding-left: 40px;">Email Address: Peter.Bolitho@pge.com</p>	

Modification Proposal	MP No: 44 <i>(mandatory by BSCCo)</i>
Details of Proposer's Representative:	
Name: Peter Bolitho	
Organisation: Powergen	
Telephone Number: 024 7642 5441	
Email Address: Peter.Bolitho@pgen.com	
Details of Representative's Alternate:	
Name: Tim Johnson	
Organisation: Powergen	
Telephone Number: 024 7642 4919	
Email Address: Tim.Johnson@pgen.com	
Attachments: Yes	
If Yes, Title and No. of Pages of Each Attachment:	
Examples of actions of a reasonable and prudent operator (RPO) with respect to MVRNs and ECVNs are shown in Appendices A and B.	

Appendix A

Suggested Examples of the actions of a Reasonable and Prudent Operator (RPO) with respect to MVRNs and ECVNs

(The examples below are intended to be indicative and should not be seen as an exhaustive list).

All systems and processes should demonstrably have been subjected to an appropriate testing regime.

Under the current ECVA User Requirements Specification it is acknowledged that '100% MVRNs' are a convenient and low-risk method of consolidating physical volume and should be used in preference to individual notifications

For a claim to succeed the claimant should demonstrate:-

- for bilateral trades entered into:-
 - before 18:00 of the day before the claim day adherence to GTMA Schedule 3B, clause 5.1 (see Appendix B), or a similar bilateral agreement;
 - on the day before the claim day that a reasonable attempt was made to resolve a difference identified by the Schedule 3 type processes;
 - after 18:00 of the day before the claim day that robust processes were in place at both itself and its counterparty to minimise the risk of an incorrect notification.
- for physical volume being transferred within an affiliated group, either by MVRNs or ECVNs :-
 - that a best view of the volume (e.g. IPN quantities) had been notified in time to be reflected on the ECVA Forward Contract Report (7 Day Report), giving assurance of the notifier's process and a backstop notification in case of subsequent ECVA system failure;
 - that robust procedures were in place to cover non-working days
 - that robust procedures were in place to monitor within-day adjustments to the physical transfer. These procedures could include:-
 - Manual review of files being sent to the ECVA to validate the sign and sensible magnitude of a notification;
 - Daily checklists to enable confirmation that expected adjustments of the position have been made;
- that the validation processes based on the 7 Day Report make full use of the reports features e.g. its removal of the 'from and to' signing associated with the ECVA id;
- that robust procedures were in place surrounding the setting up and amendment of ECVA data to ensure that the correct data was in place and that the transfer direction was understood
- that the above processes are auditable and can provide evidence to enable the Panel or its appointed representative to verify the legitimacy of any notification error claim.

Appendix B

Extract from a typical Grid Trade Master Agreement (GTMA) – Clauses 4.2, 5.1 and 5.5 describe actions and responsibilities of parties that should help reduce the likelihood of Notification Errors

SCHEDULE 3B

CONTRACT PARTY NOTIFICATION AGENT APPROACH

If, in Schedule 2, the contract Party notification agent approach and Schedule 3B is specified, then the clauses of the Master Agreement referred to below shall be replaced by the following clauses:

1. Replace clauses 4, 5 and 6 with the following:

"4. ECV NOTIFICATION AGENT AUTHORISATION

4.1 ECV Notification Agent

4.1.1 For the purpose of each Transaction, the ECV notification agent (the "ECV Notification Agent") shall be the Party whom the Parties have agreed shall act as such **and that Party shall act as ECV Notification Agent in respect of all transactions other than those which are to be first notified on the day in which the Settlement Period to which they relate occurs. If the Parties have not agreed an ECV Notification Agent, the ECV Notification Agent for a Transaction shall be the Seller for that Transaction.**

4.2 Non-Validation of ECV Notification Agent Authorisation

4.2.1 If, at any time during a Transaction Term, the ECV Notification Agent does not have an ECV Notification Agent Authorisation for the Energy Accounts applicable to the relevant Transaction, each Party shall do all things reasonably necessary in co-operation with the other, to ensure that the ECV Notification Agent obtains and maintains that ECV Notification Agent Authorisation as soon as practicable and that in the interim all ECV Notifications in respect of the Transaction are made.

4.2.2 In the case of the initial application for the ECV Notification Agent Authorisation relevant to a Transaction, each Party shall do all things reasonably necessary in co-operation with the other to ensure that the ECV Notification Agent obtains an ECV Notification Agent Authorisation for the Energy Accounts applicable to that Transaction prior to the ECV Notification Deadline applicable to the first Settlement Period of the Transaction Term and, to the extent possible, prior to each of the notification times set out in clause 5.1 for that Settlement Period.

4.3 No Termination of ECV Notification Agent Authorisation

Without prejudice to clauses 12.2 (Suspension) and 12.6 (ECV Notification Withdrawal, Cancellation and Termination) and in respect of a Transaction, neither Party shall terminate an ECV Notification Agent Authorisation that has been validated by the ECV Aggregation Agent without the written consent of the other Party (which shall not be unreasonably withheld or delayed) during the Transaction Term.

5. ECV NOTIFICATIONS

5.1 Notification requirement

Unless otherwise agreed and subject to clause 5.6 (Cancellation of Default Settings), for each of any of the 48 Settlement Periods (or 46 or 50 as the case may be for daylight saving days) in any day ("each a "Relevant Settlement Period") for which the Settlement Period Volume is other than zero in any day and each combination of the Parties' respective Energy Accounts, the ECV Notification Agent shall make Accurate ECV Notifications in accordance with the following timetable:

	Transactions in respect of which notifications are to be made	Time Accurate ECV Notifications required to be made
1	All Transactions entered into at any time prior to 18.00 on the day falling 7 days prior to the day on which the Relevant Settlement Period falls.	On the day which falls not more and not less than 7 days prior to the day on which the Relevant Settlement Period falls, before 18.15.
2	All Transactions entered into during the 24 hour period prior to 18.00 on any day falling less than 7 days prior to the day on which the Relevant Settlement Period(s) falls.	Before 18.15 on the same day
3	All transactions entered into at or after 18:00 on the day immediately before the day in which the Relevant Settlement Period(s) falls.	As soon as reasonably practicable.

5.2 ACCURATE ECV NOTIFICATION

5.2.1 "Accurate ECV Notification" means in respect of an ECV Notification Agent and a Settlement Period, the last ECV Notification made prior to the ECV Notification Deadline in the format required by the ECV Aggregation Agent and which identifies for all Transactions (for which the ECV Notification is required according to the timetable in clause 5.1) relating to the relevant Settlement Period and combination of the Parties' respective Energy Accounts:

- (a) the ECV Notification Agent;
- (b) the Net Settlement Period Volume (or the Settlement Period Volume where there is only one relevant Transaction) to be taken into account as at the ECV Notification Deadline as an Energy Contract Volume, overwriting (unless otherwise agreed) any previous ECV Notification made by the relevant ECV Notification Agent for the Settlement Period;
- (c) the relevant Energy Account of each Party being the Energy (From) Account of one Party and the Energy (To) Account of the other (which will require correctly specifying in accordance with the relevant Transactions the Net Settlement Period Volume (or the Settlement Period Volume where there is only one Transaction) as either positive or negative as it relates to each Party);
- (d) such other information as is required (including under the Balancing and Settlement Code) for the Settlement Period Volume stated in the ECV Notification to be taken into account by the Settlement Administration Agent in determining the respective Account Energy Imbalance Volumes of the relevant Energy Accounts of the Parties for that Settlement Period,

("ECV Notification Information") and an ECV Notification that, when made at one of the time periods required in accordance with the timetable at clause 5.1, is an Accurate ECV Notification, shall cease to be an Accurate ECV Notification at the expiry of the next subsequent time period that an Accurate ECV Notification is required to be made in accordance with such timetable, or, where there is no such subsequent time period specified in the timetable, at the ECV Notification Deadline, if all Transactions taken into account in such ECV Notification no longer (at such next time or the ECV Notification Deadline, as the case may be) constitute all the Transactions between the Parties relating to that Relevant Settlement Period and combination of the Parties' respective Energy Accounts.

5.3 Other Information

If, for the purpose of making an Accurate ECV Notification, a Party requires any ECV Notification Information which it does not possess and cannot, using reasonable endeavours, obtain, then that Party may give notice to the other Party specifying what ECV Notification Information it requires, and if the other Party possesses or can, using reasonable endeavours, obtain that ECV Notification Information, the other Party shall furnish it to the ECV Notification Agent as soon as reasonably practicable.

5.4 Withdrawal of Notification

Except as provided in this clause 5, clause 12.2 (Suspension) or clause 12.6 (ECV Notification Withdrawal, Cancellation and Termination), neither Party shall withdraw, cancel, amend or replace an ECV Notification without the prior consent of the other Party (which consent shall not be unreasonably withheld or delayed).

5.5 Inaccurate Notification

Both Parties shall promptly check the 7 day report issued by the ECVA (the 7 Day Report") and either Party shall promptly issue a rejection notice to the other Party if it considers that the 7 Day Report does not accurately contain the Notifications it believes should have been made. The rejection notice shall clearly identify those ECV Notifications which the issuing Party considers to be inaccurate. If by 20.00 on any day on which a Party receives a 7 Day report, a Party shall not have issued a rejection notice relating to that report, that Party shall be deemed to have confirmed the accuracy of that report.

If a rejection notice is issued each Party shall take all reasonable steps to resolve the matter and ensure Accurate ECV Notifications are made. If the Parties cannot agree on the amendments needed to make an Accurate ECV Notification, both Parties will exchange their determination of the correct position to be notified, either in writing or on recorded telephone lines (where such exchange is in writing this will include facsimile). The Party who is the ECV Notification Agent shall decide to make an ECV Notification in accordance with either his determination of the correct position, as reported to the non-Notifying Party, or in accordance with the non-Notifying Party's determination of the correct position, as reported to the Notifying Party. The Party whose determined position is so notified shall be a Non-Complying Party for the purposes of clause 6.2 in the event that such ECV Notification is not an Accurate ECV Notification.