



06 February 2002

The Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Attention: Nick Simpson
Director, Industry Codes Development

Dear Nick

P37 Modification Report

It has come to light that regrettably, due to an administrative error, an earlier draft of the P37 legal text (for the original and alternative proposals) was inserted into the P37 Modification Report when the draft Report was produced.

The effect of the error was that a change, which had previously been consulted on, was not incorporated into the legal text included in the P37 Modification Report submitted to the Authority. The change has very little practical significance, as explained below.

The legal text in the Modification Report provides (in Section P6.6) that rectified notifications would be taken into account for credit checking purposes in respect of Settlement Periods for which Gate Closure occurred after the time of rectification. This rule would lead to a more expensive and complex IT solution when the chance of its ever having any relevance in practice is extremely low. The rule would only be of any relevance if notification errors occurred in the last 29 days before the P37 modification came into effect, and the Panel then determined the error claim within approximately a month of the claim being made. This is hardly probable. It was felt that the costs of the more expensive and complex IT solution were therefore not justified.

The correct drafting for Section P6.6 (i.e. the version developed later in the modification process, following those deliberations, and subsequently consulted on) should provide that any rectified notifications will not be taken into account in the rolling 29-day indebtedness calculations (for credit checking) for periods following the actual rectification. This reflects the views of respondents during the consultation process, and the recommendation of the Modifications Group.

The version of Section P6.6 included in the Modification Report did not reflect:

- (i) the final version of Section P6.6 which interested parties had been consulted on during the modification process;

- (ii) the business requirements of the proposed modification, as set out in the main body of the Assessment Report, upon which the Panel made its recommendation;
- (iii) the business requirements of the proposed modification, as set out in the main body of the Modification Report, upon which the Authority is to make its decision.

As I mentioned, this was due to an administrative error in producing the Modification Report.

In addition, as previously discussed, we have noticed that:

- (i) there is a small clerical error in the algebra in Section P6.5.3 of the legal text. The Error Correction Payment provisions refer to Account Energy Imbalance Cashflow (and non-corrected Account Energy Imbalance Cashflow). The algebraic term for Account Energy Imbalance Cashflow in the BSC (as defined in Section X-2) is CAEI. However, even though the wording in Section P6.5.3 was correct, the algebra used the acronym QAEI (which means Account Energy Imbalance Volume) rather than CAEI. Similarly, the non-corrected Account Energy Imbalance Cashflow was shown as NOAEI, rather than NCAEI;
- (ii) there is a typographical error in Section P6.7.3 (where 'following' should read 'followed').

While the impact of these changes is not significant, we would like to ensure that these clerical errors are corrected (and it seems sensible and efficient to correct them at this stage, rather than via a further tidying modification).

ELEXON has now undertaken a careful review of the drafting forwarded to the Authority in the P37 Modification Report. The results of this review have confirmed that, aside from these errors, the drafting is correct and reflects what was authorised by the Panel and we consider therefore that further consultation is not necessary but that the Report should be promptly corrected. We have informed the Panel of this matter and of the remedial approach we propose, namely that we should send the Authority the correct legal drafting and publish it (together with this letter) on the BSC website. The Panel has agreed this course of action.

I enclose the corrected version of the legal text for P37 (both the original and the alternative proposal)¹. We would be grateful if this could be inserted in place of the legal text annexed to the P37 Modification Report which was sent to you previously.

¹ I also enclose, for your information, a mark-up indicating the differences between the version of the legal text currently included in the P37 Modification Report and the corrected version which should be inserted in its place.

I hope that the above is satisfactory. Please contact me on 0207-380-4358 if you wish to discuss any of the matters raised.

Yours sincerely

Gareth Forrester
Modifications Manager

List of Enclosures

1. Corrected version of the legal text for P37 (original and alternative).
2. Mark up indicating differences between corrected version and the legal text currently included in the P37 Modification Report.