

October 2001

**ASSESSMENT REPORT
MODIFICATION PROPOSAL P25 –
Commissioning Status in NETA**

Prepared by the P25 Modification Group on behalf
of the Balancing and Settlement Code Panel

Document Reference	MAR 025
Version no.	1.0
Issue	1
Date of Issue	12 October 2001
Reason for Issue	Report to Panel
Author	ELEXON

I DOCUMENT CONTROL

a Authorities

Version	Date	Author	Signature	Change Reference
0.1	1/10/01	P. Wibberley		Draft for review by Modifications Group
0.2	8/10/01	P. Wibberley		Draft for internal review
0.3	9/10/01	P. Wibberley		Second draft for Modifications Group review
1.0	12/10/01	P. Wibberley		Report for issue to Panel

Version	Date	Reviewer	Signature	Responsibility
1.0	12/10/01	Trading strategy		Pre-Panel review

b Distribution

Name	Organisation
Modifications Group	
BSC Panel	

c Intellectual Property Rights and Copyright

This document contains materials the copyright and other intellectual property rights in which are vested in ELEXON Limited or which appear with the consent of the copyright owner. These materials are made available for you to review and to copy for the purposes of the establishment, operation or participation in electricity trading arrangements in Great Britain under the BSC. All other commercial use is prohibited. Unless you are a person having an interest in electricity trading in Great Britain under the BSC you are not permitted to view, download, modify, copy, distribute, transmit, store, reproduce or otherwise use, publish, licence, transfer, sell or create derivative works (in whatever format) from this document or any information obtained from this document otherwise than for personal academic or other non-commercial purposes. All copyright and other proprietary notices contained in the original material must be retained on any copy that you make. All other rights of the copyright owner not expressly dealt with above are reserved.

II CONTENTS TABLE

I	Document Control	2
a	Authorities	2
b	Distribution	2
c	Intellectual Property Rights and Copyright.....	2
II	Contents Table	3
1	Summary and Recommendations	5
1.1	Recommendations	5
1.2	Background.....	Error! Bookmark not defined.
1.3	Rationale for Recommendations	Error! Bookmark not defined.
2	Introduction	6
3	Purpose and Scope of the Report	7
4	Modification Group Details	10
5	Description and Assessment Against the Applicable BSC Objectives	11
5.1	The Proposed Modification	11
5.2	Response to Consultation.....	12
5.3	Modification Group Deliberations	12
5.3.1	Estimates of Materiality.....	14
5.4	Preferred Implementation Approach	14
5.5	Alternative Modification.....	14
5.5.1	Retrospection	15
5.6	Extension to Embedded Generators	15
5.7	Conclusions of Modification Deliberations	16
6	Impact on BSC and BSCCo Documentation	17
6.1	BSC	17
6.2	Code Subsidiary Documents	17
6.3	BSCCo Memorandum and Articles of Association.....	17
7	Impact on BSC Systems	18
8	Impact on Core Industry Documents and Supporting Arrangements	19
9	Impact on ELEXON	20
10	Summary of Transmission Company Analysis	21
11	Impact on Parties and Party Agents	22
	Annex 1 – Description of Proposed Changes to the BSC	23
	Annex 2 – Modification Group Terms of Reference	29
	Annex 3 – Modification Group Membership	30
	Annex 4 - BSC Agent Impact Assessments	31
	Annex 5 – Transmission Company Analysis	36
	Annex 6 – BSCCo Impact Assessments	37
	Annex 7 – BSC Party and Party Agent Impact Assessments	38

Annex 8 – Derivation of BSC Rules for The Alternative Modification 41
Annex 9 – Responses to the Initial Consultation on the Modification Proposal 43

1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendations

The Summary and Recommendations are provided in attached document.

2 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

3 PURPOSE AND SCOPE OF THE REPORT

BSC Section F 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).

The Panel may decide to submit a Modification Proposal to an 'Assessment Procedure'¹. Under this procedure, a Modification Group is tasked with undertaking a detailed assessment of the proposal to evaluate whether it better facilitates achievement of the Applicable BSC Objectives². The group may also develop an alternative proposal if it believes that the alternative would better facilitate achievement of the objectives.

The Modification Group must prepare a report for the Panel, setting out the results of the assessment of the modification proposal and any alternative. The following matter should be included (to the extent applicable to the proposal in question)³:

- (a) an analysis of and the views and rationale of the Modification Group as to whether (and, if so, to what extent) the Proposed Modification would better facilitate achievement of the Applicable BSC Objective(s);
- (b) a description and analysis of any Alternative Modification developed by the Modification Group which, as compared with the Proposed Modification, would better facilitate achievement of the Applicable BSC Objective(s) and the views and rationale of the Group in respect thereof;
- (c) an assessment or estimate (as the case may be) of:
 - (i) the impact of the Proposed Modification and any Alternative Modification on BSC Systems;
 - (ii) any changes and/or developments which would be required to BSC Systems in order to give effect to the Proposed Modification and any Alternative Modification;
 - (iii) the total development and capital costs of making the changes and/or delivering the developments referred to in paragraph (ii);
 - (iv) the time period required for the design, build and delivery of the changes and/or developments referred to in paragraph (ii);
 - (v) the increase or decrease in the payments due under the BSC Agent Contracts in consequence of the Proposed Modification and any Alternative Modification;
 - (vi) the additional payments (if different from those referred to in paragraph (v)) due in connection with the operation and maintenance of the changes and/or developments to BSC Systems as a result of the Proposed Modification and any Alternative Modification;

¹ See BSC F2.6

² As defined in the Transmission Licence

³ See BSC F2.6.4 and Annex F-1

- (vii) any other costs or liabilities associated with BSC Systems attributable to the Proposed Modification and any Alternative Modification;
- (d) an assessment of:
- (i) the impact of the Proposed Modification and any Alternative Modification on the Core Industry Documents;
 - (ii) the changes which would be required to the Core Industry Documents in order to give effect to the Proposed Modification and any Alternative Modification;
 - (iii) the mechanism and likely timescale for the making of the changes referred to in paragraph (ii);
 - (iv) the changes and/or developments which would be required to central computer systems and processes used in connection with the operation of arrangements established under the Core Industry Documents;
 - (v) the mechanism and likely timescale for the making of the changes referred to in paragraph (iv);
 - (vi) an estimate of the costs associated with making and delivering the changes referred to in paragraphs (ii) and (iv),
- together with a summary of representations in relation to such matters;
- (e) an assessment of:
- (i) the likely increase or decrease in BSC Costs (to the extent not already taken into account in paragraph (c) above) in consequence of the Proposed Modification and any Alternative Modification;
 - (ii) the changes required to Systems and processes of BSCCo in order to give effect to the Proposed Modification and any Alternative Modification; and
 - (iii) the BSC Costs which are expected to be attributable to the implementation of the Proposed Modification and any Alternative Modification, to the extent not taken into account under any other provision above;
- (f) to the extent such information is available to the Modification Group, an assessment of the impact of the Proposed Modification and any Alternative Modification on Parties in general (or classes of Parties in general) and Party Agents in general, including the changes which are likely to be required to their internal systems and processes and an estimate of the development, capital and operating costs associated with implementing the changes to the Code and to Core Industry Documents;
- (g) an assessment of the Proposed Modification and any Alternative Modification in the context of the statutory, regulatory and contractual framework within which the Code sits (taking account of relevant utilities, competition and financial services legislation);
- (h) a summary of the representations made by Parties and interested third parties during the consultation undertaken in respect of the Proposed Modification and any Alternative Modification and the views and comments of the Modification Group in respect thereof;
- (i) a summary of the analysis and impact assessment prepared by the Transmission Company and the views and comments of the Modification Group in respect thereof;

- (j) a summary of the impact assessment prepared by relevant BSC Agents and the views and comments of the Modification Group in respect thereof;
- (k) a summary of any impact assessment prepared by Core Industry Document Owners and the views and comments of the Modification Group in respect thereof;
- (l) a copy of the terms of reference and any report or analysis of external consultants or advisers engaged in respect thereof;
- (m) a list of the key assumptions which the Modification Group has made in formulating its views;
- (n) any other matters required by the terms of reference of such Modification Group;
- (o) any other matters which the Modification Group consider should properly be brought to the attention of the Panel to assist the Panel in forming a view as to whether the Proposed Modification and any Alternative Modification would better facilitate achievement of the Applicable BSC Objective(s);
- (p) subject to paragraph 2.6.8 and 2.6.9 of Section F of the BSC, the proposed text to modify the Code in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Code which would be affected by the changes;
- (q) the Modification Group's proposed Implementation Date(s) for implementation (subject to the consent of the Authority) of the Proposed Modification and any Alternative Modification;
- (r) an executive summary of the project brief prepared by BSCCo;
- (s) a recommendation (where applicable) as to whether, if the Proposed Modification or Alternative Modification is approved, Settlement Runs and Volume Allocation Runs carried out after the Implementation Date of such Approved Modification in respect of Settlement Days prior to that date should be carried out taking account of such Approved Modification or not;
- (t) the proposed text (if any) to modify the Memorandum and Articles of Association of BSCCo and/or the BSC Clearer in order to give effect to the Proposed Modification and any Alternative Modification, together with a commentary setting out the nature and effect of such text and of other areas of the Memorandum and Articles of Association and/or the Code which would be affected by the changes; and
- (u) a summary of any changes which would be required to Code Subsidiary Documents as a consequence of such Proposed Modification or Alternative Modification.

This Assessment Report therefore addresses all of the above items to the extent relevant to the Modification Proposal in question.

4 MODIFICATION GROUP DETAILS

This Assessment Report has been prepared by the P25 Modification Group. The membership of the Group is given in Annex 3.

Note that when drafting the Definition Report, the Modification Group identified the feasibility and merit of an alternative approach which minimised the impact on settlements systems, but which would be likely to compromise the requirement not to allocate RCRC payments to Commissioning BM Units. The Panel was appraised of the merit of an alternative option, including being informed that the reallocation of RCRC was likely to have to differ from the Proposed Modification as defined.

The detail of the Alternative Modification was developed in drafting the Requirement Specification, which was circulated for comment by the Modification Group by correspondence, and was subsequently discussed at a meeting of the Modification Group.

5 DESCRIPTION AND ASSESSMENT AGAINST THE APPLICABLE BSC OBJECTIVES

5.1 The Proposed Modification

The Proposed Modification, P25, submitted by BP Gas & Power, requires that BSC Parties be able to apply for Commissioning Status in respect of a BM Unit, which will be granted by the BSC Panel, providing the BM Unit fulfils certain criteria. Further criteria define when that Commissioning Status terminates.

The Proposer's intention is that, whilst a BM Unit has Commissioning Status, and is thus a "Commissioning BM Unit", the BSC Party may declare by giving notice to ELEXON, or to the System Operator on ELEXON's behalf, that a Settlement Day shall be treated as a Commissioning Settlement Day for that BM Unit. On a Commissioning Settlement Day, any shortfall of the Commissioning BM Unit against its planned output, as defined by the FPN, is deemed not to have occurred for the purposes of calculating overall energy imbalance charges. This is achieved by defining an amount of "Commissioning Status BM Unit Metered Volume" equal to the shortfall. Note that this Commissioning Status BM Unit Metered Volume will be reallocated to Subsidiary Parties using the same Metered Volume Percentage Reallocation as may apply at any time to the BM Unit Metered Volume to give Commissioning Status Credited Energy Volumes.

So as not to create a perverse incentive to overdeclare FPN and consequently have larger Commissioning Status BM Unit Metered Volumes credited to the Party, a charge is levied on the Party on Commissioning Status BM Unit Metered Volumes at a Market Price, which is intended to reflect the price close to Gate Closure of Energy Contract Volumes in the publicly-traded markets.

The differences in Trading Charges are effected through defining a new Trading Charge, called the Commissioning Status Daily Party Energy Imbalance Cashflow.

In addition, the calculation of Residual Cashflow Reallocation Cashflow is amended such that Credit Energy Volumes in respect of Commission BM Units do not share in the Total System Residual Cashflow.

Criteria for Commissioning Status

Criteria for a Commissioning Status to be granted for a BM Unit are that there shall have been a Commissioning Qualifying Event in respect of the BM Unit, and that Commissioning Status shall not have been granted previously in respect of that Commissioning Qualifying Event. Commissioning Qualifying Events will be Section 36 or Section 14 consent being granted in respect of any Plant or Apparatus of which the BM Unit is comprised, plus such other events as may be determined from time to time by the BSC Panel.

Commissioning Status will be terminated the earlier of: one year after the first Commissioning Settlement Day; one year after the Settlement Day of first export; the 90th Commissioning Settlement Day; and the Initial Settlement Run when it is established that any "Commissioning Status Exit Criterion" is met. The Commissioning Status Exit Criteria are: the cumulative output over a Commissioning Settlement Day deviating from the expected (FPN as modified by any accepted Offers or Bids) by less than 5% for 7 consecutive Commissioning Settlement Days; and the cumulative output over a Commissioning Settlement Day deviating from the expected (FPN as modified by any accepted Offers or Bids) by more than 50% for 7 consecutive Commissioning Settlement Days.

Retrospection

Commissioning Status could be granted, and Commissioning Settlement Days declared retrospectively. Claims for Commissioning Status to be granted retrospectively with respect to BM Units and for Settlement Days between the Go-Live Date and the date of the implementation of the Proposed Modification would have to be submitted within 20 Business Days of the implementation of the Proposed Modification. (Note that retrospection is not a feature of the Alternative Modification.)

5.2 Response to Consultation

Thirteen responses were received to a consultation on the Modification Proposal. Three responses supported the Proposal, whilst ten did not.

Arguments in favour of the Proposal were that the imbalance prices are such that commissioning plant, with its greater exposure to imbalance, was unlikely to be able to realise positive revenues and could potentially make significant losses. The Proposed Modification would thus encourage new entry and hence promote competition in generation. Other responses in favour, referred to the "vagaries" of the balancing mechanism, whilst it was argued that, whilst imbalance prices did not reflect costs imposed on the System by imbalances, then the greater exposure of commissioning plant represented a barrier to entry.

Views against the Proposal were that the Proposal constituted a cross-subsidy to new entrants, and that new entry did not necessarily create efficient competition. Others argued that subsidising new entrants would actually harm competition. There were concerns that the Proposal would give incentives for commissioning plant not to perform well in order to ensure that Commissioning Status was not lost, whilst several respondents felt that the System Sell Price would provide sufficiently reliable income during commissioning of plant.

Further views were concerned that, as well as the commissioning of new plant, similar risks could be faced after significant refurbishment of existing plant, and that embedded plant could be similarly affected, but were not exempted by the original Proposal.

5.3 Modification Group Deliberations

The Applicable BSC Objectives, as stated in licence condition 7A, are:

- (a) *the efficient discharge by the Licensee of the obligations imposed upon it by this licence;*
- (b) *the efficient, economic and co-ordinated operation by the Licensee of the Licensee's Transmission System;*
- (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;*
- (d) *without prejudice to paragraph 10, promoting efficiency in the implementation and administration of the balancing and settlement arrangements.*

The Modification Group did not reach a consensus on whether the Proposed Modification or the Alternative Modification would better meet the Applicable BSC Objectives. The Group's views were as follows:

- (1) If it was considered that the consequences of exposure to imbalance prices reasonably reflected costs imposed on the System by energy imbalances, then there was no basis for supposing that the Proposed Modification or the Alternative Modification would better meet the Applicable BSC Objectives, specifically the promotion of effective competition in generation.
- (2) If, however, it was considered that the consequences of exposure to imbalance prices *did not* reasonably reflect costs imposed on the System by energy imbalances, then, to the extent that commissioning plant was inevitably more exposed to imbalance prices, there was a barrier to entry.
- (3) If (2) then, then there as a case to argue that the imbalance prices were wrong for *all* imbalances incurred by *all* Trading Parties, and that a proper solution might be to modify the imbalance pricing mechanism.
- (4) However, notwithstanding (3), the assessment should be undertaken against the Balancing & Settlement Code as it is drafted, and not against the Code assuming the adoption of some other, as yet unspecified, Modification.

Views diverged on whether the consequences of exposure to imbalance prices, as presently calculated, were reasonable, with three Group members believing that this was the case, whilst four members disagreed.

There was some debate about whether there could be a potential effect on System Operation as a result of spill from commissioning plant onto the System. Presently Trading Parties are likely to prefer to spill rather than contract in respect of commissioning plant, for fear of the consequences of exposure to System Buy Price. Such spill would result potentially in the System being long and the Transmission Company consequentially having to accept more Bids, with a possible effect on System Sell Prices. However, a result of the Proposed Modification is that Trading Parties with Credited Energy Volumes from Commissioning BM Units would be more likely to contract rather than spill - thereby receiving something akin to Market Price rather than System Sell Price, without risking exposure to System Buy Price – and hence reduce the amount to which the market would otherwise be long. In any case, NGC has indicated to the Modifications Group that it believes that it could accommodate any spill from commissioning plant - which would occur irrespective of whether the Proposed Modification were adopted - either in the balancing mechanism or by forward contracting.

In view of this, the Modification Group agreed that the Proposed Modification would result in prices better reflecting the balance of supply and demand, and would better meet the Applicable BSC Objective of, "*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*".

It was recognised that the Proposed Modification did provide some incentive for Commissioning BM Units, which could satisfy the Commissioning Status Exit Criteria, not so to do. This could impair, "*the efficient, economic and co-ordinated operation by the Licensee of the Licensee's Transmission System*". A counter-view was that it was improbable that plant would be able to commission much in advance of the 90 Commissioning Settlement Days limit, such that this incentive was more a theoretical rather than practical concern.

5.3.1 Estimates of Materiality

In order to ascertain the potential materiality to Trading Parties with Commissioning BM Units of the Proposed Modification, the Modifications Group considered a hypothetical 500MW BM Unit attempting to run for 16 hours, at an average load factor of 75%, on each Commissioning Settlement Day and declaring FPNs accordingly, but tripping for 5 hours. Assuming SSP, Market Price and SBP of £5, £20 and £60 respectively,

- (1) The cost of exposure to SBP through contracting
 - = $0.75 * 500\text{MW} * 5\text{hours} * (\text{£}60/\text{MWh} - \text{£}20/\text{MWh})$
 - = £75,000 per Settlement Day
 - = £6.75m over 90 Commissioning Settlement Days
- (2) The opportunity cost of exposure to SSP through not contracting
 - = $0.75 * 500\text{MW} * (16\text{ hours} - 5\text{hours}) * (\text{£}20/\text{MWh} - \text{£}5/\text{MWh})$
 - = £61,875 per Settlement Day
 - = £5.6m over 90 Commissioning Settlement Days

Thus, it was concluded that the Proposed Modification was material.

5.4 Preferred Implementation Approach

Introducing a new Trading Charge would have significant impact both on BSC Agent Systems and the systems of Trading Parties due to the necessary changes in report formats. Whilst the new Trading charge could be reported separately, such that Trading Parties could opt to ignore the new reports, this would result in the situation that the individual Trading Charges did not reconcile with the total of Trading Charges.

Thus, a variant to the Proposed Modification was discussed by the Modification Group in which no new Trading Charge is defined, and the additional charges and payments being included in the Daily Party Energy Imbalance Cashflow. Additional reports still inform Trading Parties of any Commissioning Status Credited Energy Volumes and Commissioning Status Account Energy Imbalance Cashflow. On the assumption that these quantities will be usually zero, then minimum disruption to the existing report format is caused.

The Modification Group was agreed that this alternative implementation would be preferred to the implementation as implied by the Proposed Modification as defined in the Definition Report.

5.5 Alternative Modification

Recognising that the effect of P25 will apply to few BM Units on few occasions, the objective of an Alternative Modification, as discussed by the Modification Group, was to minimise changes required to the settlements systems. In the Alternative Modification, the required changes to the Daily Party Energy Imbalance Cashflows would be effected merely by adjusting Account Energy Imbalance Volumes⁴.

⁴ The Modification Group was required to consider the use of a 100% Metered Volume Percentage Reallocation from the Lead Party of the BM Unit to the Transmission Company, together with a Metered Volume Fixed Reallocation 'back' to the Lead Party of a quantity equivalent to the FPN. This method was not pursued as it would not effect any charge at the Market Price for energy thereby credited to the Lead Party.

The necessary adjustment would be calculated by a process separate from the existing settlements calculations, such that no significant change to the existing settlements systems is required. This calculation uses only SSP, SBP and MP, together with the differences between BM Unit Metered Volumes and FPN. Given that SSP and SBP may change in the course of any given Settlement Run, the process assumes that the values of SSP and SBP would be used either from:

- (i) the output of the interim process being implemented for P18A; or,
- (ii) when this process is internalised into Central Services, from the previous Settlement Run (or from the BMRA in respect of the Interim Information Run).

In the unlikely event that SSP and SBP changed at the Final Reconciliation Settlement Run, then an additional Ad Hoc Settlement Run would be required.

Adjustments to the Account Energy Imbalance Volume would be effected by adjusting the Account Bilateral Contract Volumes between ECVAA and SAA. Note that the requirement for notifications to be made by Gate Closure using the mechanisms defined in the Communications Requirements Document would not apply in this case, and would be made, instead by written instruction from BSCCo to the Energy Contract Volume Aggregation Agent.

As a lower cost implementation, the Group considered that Alternative Modification would better promote, "*efficiency in the implementation and administration of the balancing and settlement arrangements*" than the Proposed Modification.

5.5.1 Retrospection

Whilst the *implementation* of the Alternative Modification could be retrospective, i.e. the necessary systems need not necessarily have been implemented at the time at which the rules became effective, at the behest of the Proposer, the *rules* of the Alternative Modification are not.

Thus, in the Alternative Modification, Commissioning Status could be granted only in respect of days on or after the date on which the Modification takes effect. Commissioning Status, when granted by the Panel, would, however, be effective from the date of application for such status, not the date of decision by the Panel. Furthermore, Trading Parties would be entitled to declare Settlement Days to be Commissioning Settlement Days from the date of application, subject to the subsequent granting of Commissioning Status by the Panel.

5.6 Extension to Embedded Generators

In response to a request from the Panel, the possible extension of the Proposed Modification to encompass embedded generation that is registered as part of a Supplier BM Unit, and hence does not submit an independent FPN. Two problems exist with the extension of the Proposal:

- (1) Defining the intended level of operation, such that the extent of any shortfall (or surplus) can be quantified, given that no FPN is available for the commissioning plant; and
- (2) Defining appropriate Qualifying Events.

The Modification Group considered the requirements of implementing equivalent provisions to individually metered quantities rather than complete BM Units. The Group felt that the additional complexity involved obtaining and handling the requisite data, as well as putting in place mechanisms for the declaration and recording of an equivalent of FPN, would be impractical. The Group thus concludes that the Parties wishing to take advantage of Commissioning Status for certain plant should be required to define a separate BM Unit.

Similarly, subject to establishing whether the Proposed Modification or Alternative Modification better meet the Applicable BSC Objectives, the Group considered that demand-side BM Units could be accommodated by:

- (i) defining Commissioning Qualifying Events appropriate to the demand-side; and
- (ii) defining an Commissioning Status Exit Criterion of first negative BM Unit Metered Volume which would be specific to BM Units that have qualified by way of the demand-side Commissioning Qualifying Event.

5.7 Conclusions of Modification Deliberations

Thus the Modification Group concluded that:

- if it was considered that the consequences of exposure to imbalance prices is reasonable, then there would be no case that the Proposed Modification would better facilitate achievement of the Applicable BSC Objectives;
- if it was considered that the consequences of exposure to imbalance prices is unreasonable, then the Proposed Modification would better facilitate achievement of the Applicable BSC Objectives;
- As was identified as being likely in the Definition Report, the Alternative Modification has different allocation of Residual Cashflow Reallocation Cashflow;
- The Alternative Modification better meets the Applicable BSC Objectives than the Proposed Modification;
- Pending resolution of whether or not the Alternative Modification better meets the Applicable BSC Objectives, no extension to other BM Units or components of BM Units which could be said to better meet the Applicable BSC Objectives could be identified.

6 IMPACT ON BSC AND BSCCO DOCUMENTATION

6.1 BSC

No legal drafting has been provided as part of this Assessment Report, as the Modification Group felt that the definition of the Proposed Modification was adequate for the purposes of undertaking an assessment.

Section T mainly would be affected, in terms of the calculations of Commissioning Status Daily Party Energy Imbalance Cashflow. The provisions for establishing and terminating Commissioning Status, and the declaration of Commissioning Settlement Days, could be accommodated in Section K.

6.2 Code Subsidiary Documents

New BSC Procedures may be required for the application for Commissioning Status and the declaration Commissioning Settlement Days, and for designation of Market Price. Such Procedures would be developed during any implementation of the Alternative Modification.

6.3 BSCCo Memorandum and Articles of Association

No impact on the ELEXON's Memorandum and Articles of Association was identified.

7 IMPACT ON BSC SYSTEMS

The High Level Impact Assessment is attached in Annex 4. Development and implementation of the preferred implementation of Proposed Modification is costed at £338,700 with an ongoing operation and maintenance cost of £5,861 per month or £70,332 per annum. Development and implementation time is estimated at 25 weeks.

For the Alternative Modification, the development and implementation cost is approximately £120,000 with an ongoing operation and maintenance cost of around £2000 per month or £25,000 per annum. Development and implementation time will be provided at the Panel meeting.

8 IMPACT ON CORE INDUSTRY DOCUMENTS AND SUPPORTING ARRANGEMENTS

No impact was identified by the respective Owners on any of following Core Industry Documents:

- (i) Grid Code
- (ii) Master Connection and Use of System Agreement (MCUSA)
- (iii) Supplemental Agreements
- (iv) Ancillary Services Agreements (ASAs)
- (v) Master Registration Agreement (MRA)
- (vi) Data Transfer Services Agreement (DTSA)
- (vii) British Grid Systems Agreement (BGSA)
- (viii) Use of Interconnector Agreement
- (ix) Pooling and Settlement Agreement (PSA)
- (x) Settlement Agreement for Scotland (SAS)
- (xi) Distribution Codes
- (xii) Distribution Use of System Agreements (DUoSAs)
- (xiii) Distribution Connection Agreements

9 IMPACT ON ELEXON

ELEXON has identified an indicative cost of £30,000 in terms of draft new procedures and amending other Code Subsidiary documents and internal processes to support the Alternative Modification Proposal. Additional operational effort would be required to administer the granting of Commissioning Status and the declaration of Commissioning Settlement Days.

Ongoing operational cost in order to support the Alternative Modification requirements is estimated to require one man day per month (£500 per day), totalling 12 per year **£6,000 per annum**

Total ELEXON Development, testing and Implementation costs: **£30,000**

Total ELEXON Operational costs: **£6,000 pa**

10 SUMMARY OF TRANSMISSION COMPANY ANALYSIS

Annex 5 contains the impact assessment undertaken by the National Grid Company (NGC).

The Definition Report, and subsequently the Requirement Specification, suggested that NGC, in addition to ELEXON, should be a recipient of declarations. This was perceived as a convenient means of receiving such declarations outside of normal business hours.

NGC has stated that it does not believe that such an arrangement would be appropriate. However, ELEXON does not believe that an alternative means of receiving such declarations outside normal business hours will be difficult to identify and implement.

11 IMPACT ON PARTIES AND PARTY AGENTS

The full text of the Impact Assessments is given in Annex 6, but is summarised in the table below. Support for the Proposed Modification is, as with the initial consultation on the Modification Proposal, split.

Party / Party Agent	Agree?	Notification Req'd	Cost
Edison Mission Energy	X	-	-
Siemens	✓	No impact	-
GPU Power	-	No comment	-
Scottish and Southern Generation Scottish and Southern Supply Keadby Generation Keadby Development	X	-	-
Barking	X	-	-
Seaboard	✓	-	-
Npower	-	Yes. Details n/a	-
TXU	X	-	-
IMServ	-	No impact	-

No information beyond agreement or disagreement was obtained from the Impact Assessments.

ANNEX 1 – DESCRIPTION OF PROPOSED CHANGES TO THE BSC

A.1 Definition of Proposed Modification

A.1.1 Eligibility for Imbalance Price Relief

A.1.1.1 Granting of Commissioning Status

Imbalance Price Relief will be accorded to Parties in respect of any BM Unit that has been accorded "Commissioning Status" and has thereby become a "Commissioning BM Unit". Commissioning Status is granted by the Panel following an application by the Lead Party of the relevant BM Unit. To qualify, any Plant or Apparatus of which the BM Unit is comprised must have been the subject of a Commissioning Qualifying Event since the last period of Commissioning Status, if any, terminated. The list of such Events is:

- (i) consent under Section 36 of the Electricity Act (1989), which requires that "a generating station shall not be constructed, extended or operate except in accordance with a consent granted by the Secretary of State"
- (ii) consent under Section 14 of the Energy Act (1976), which requires that "a person who proposes to carry out works for the establishment of an electricity generating station to be fuelled by crude liquid petroleum, any petroleum product or natural gas; or for the conversion of an electricity generating station with a view to its being so fuelled" must notify the Secretary of State, who may direct that the proposal is not carried out; or
- (iii) any other event that the Panel may designate from time to time as being a Commissioning Qualifying Event.

Note that commissioning Status may only be granted to a BM Unit comprising Plant and Apparatus on a single site, such that a Supplier BM Unit covering a whole Grid Supply Point Group could not be granted Commissioning Status, say as a consequence of the addition of Plant or Apparatus within that GSP Group requiring Section 14 consent⁵.

Once Commissioning Status for a BM Unit has been terminated (see below), Commissioning Status cannot be granted again unless there has been another Commissioning Qualifying Event. This arrangement is intended to permit Commissioning Status to be granted in cases where for example a power station has undergone major re-planting but not in instances where there has been only a minor capacity upgrade.

A.1.1.2 Commissioning Settlement Periods

In respect of any Commissioning BM Unit, a Settlement Day will be a Commissioning Settlement Day in respect of a Commissioning BM Unit if the Lead Party of the Commissioning BM Unit has given notice, received by ELEXON not less than 24 hours before the start of that Settlement Day, that such Settlement Day is to be treated as a Commissioning Settlement Day

Notice, once given, that a Settlement Day is to be treated as a Commissioning Settlement Day may be withdrawn, provided that such notice is received by ELEXON⁶ not less than 24 hours before the start of the relevant Settlement Day. That Settlement Day will then not be treated as a Commissioning Settlement Day.

⁵ Similarly any definition of Commissioning Status being where the BM Unit comprises any Plant or Apparatus which has not previously been part of a BM Unit that has exported could be triggered by insignificant plant upgrades.

⁶ Or NGC acting on ELEXON's behalf for the purposes of receiving such notice.

There may be no more than 90 Commissioning Settlement Days for any Commissioning BM Unit. For the avoidance of doubt, there can no more than 90 Commissioning Settlement Days in respect of each occasion on which a BM Unit has been granted Commissioning Status and becomes a Commissioning BM Unit.

A.1.1.3 Termination of Commissioning Status

Commissioning Status in respect of a Commissioning BM Unit terminates the earlier of:

- (a) the end of the Settlement Day immediately preceding the first anniversary of the first Settlement Day on which the Commissioning BM Unit has a positive⁷ BM Unit Metered Volume;
- (b) the end of the Settlement Day immediately preceding the first anniversary of the first Settlement Day which the Lead Party declares to be a Commissioning Settlement Day;
- (c) the end of the 90th Commissioning Settlement Day; and
- (d) the end of day following the day on which the Initial Settlement Run is completed for the Commissioning Settlement Day on which any Commissioning Status Exit Criterion is met.

The Commissioning Status Exit Criteria are:

- (i) the sum over all the Settlement Periods of the Commissioning Settlement Day of QI_{ij} , divided by the sum over all the Settlement Periods of the Commissioning Settlement Day of absolute value of QME_{ij} is less than 0.05, i.e. $\sum_j (QI_{ij}) / \sum_j (QME_{ij}) < 0.05$, for 7 consecutive Commissioning Settlement Days finishing with the Commissioning Settlement Day in question; or
- (ii) the sum over all the Settlement Periods of the Commissioning Settlement Day of QI_{ij} , divided by the sum over all the Settlement Periods of the Commissioning Settlement Day of absolute value of QME_{ij} is exceeds 0.5, i.e. $\sum_j (QI_{ij}) / \sum_j (QME_{ij}) > 0.5$, for 7 consecutive Commissioning Settlement Days finishing with the Commissioning Settlement Day in question.

The first of these criteria is deemed to indicate that the Commissioning BM Unit is capable of reliable operation and can not longer be regarded as being commissioning, whilst the second criterion is intended to discourage the abuse of Commissioning Status by declaring FPNs which the Commissioning BM Unit has little realistic expectation of achieving.

A.1.2 Form of Imbalance Price Relief

A.1.2.1 Commissioning Status Credit Energy Volume

For each Commissioning BM Unit in a Commissioning Settlement Day, a Commissioning Status BM Unit Metered Volume ($QMCS_{ij}$) will be calculated. This will be the shortfall that the Commissioning BM Unit will be deemed to have suffered and on which imbalance price relief is to be granted. $QMCS_{ij}$ will be calculated as the difference between the Period Expected Metered Volume (QME_{ij})⁸ and the BM Unit

⁷ This criterion, along with the list of Commissioning Qualifying Events, would have to be amended if demand-side BM Units were to be included. Although this is currently outside the scope of the Proposal.

⁸ Note that the Period Expected Metered Volume is the sum of the Period FPN (FPN_{ij}) and any Period BM Unit Bid-Offer Volumes (QBO)

Metered Volume (QM_{ij}). The sign convention is such that a shortfall in output will give a *positive* $QMCS_{ij}$,

$$QMCS_{ij} = QME_{ij} - QM_{ij}$$

Thus, $QMCS_{ij}$ can be regarded as a deemed additional metered volume, and is a quantity that will be additional to QM_{ij} in calculations of Account Energy Imbalance Volumes. $QMCS_{ij}$ will be reallocated by any Metered Volume Reallocation that applies to the Commissioning BM Unit to give Commissioning Status Credited Energy Volumes for the Lead and Subsidiary Parties, i.e.

$$QCECS_{ij} = QMPR_{ij} * QMCS_{ij} \text{ for the Subsidiary Party}$$

$$QCECS_{ij} = \sum_a QCECS_{ij}$$

Note that any Metered Volume Fixed Reallocation ($QMFR_{ij}$) will have been already reallocated in equation T4.5.1 and, similarly, any Period BM Unit Bid-Offer Volume (QBO_{ij}) will be allocated only to the lead Party by the same equation. Hence these quantities do not need to be taken into account again here.

A1.2.2 Energy Imbalance

Neither the Account Credited Energy Volume ($QACE_{aj}$) nor the Account Energy Imbalance Volume ($QAEI_{aj}$) of each Energy Account of each Trading Party will be affected by the Commissioning Status Credited Energy Volumes of a Trading Party. However, the following applies.

First, a Commissioning Status Account Energy Imbalance Volume ($QACECS_{aj}$) is calculated,

$$QACECS_{aj} = \sum_i QCECS_{iaj} ;$$

and then a Commissioning Status Account Energy Imbalance Cashflow ($CAEICS_{aj}$) is calculated thus,

$$\text{for } QAEI_{aj} + QACECS_{aj} > 0,$$

$$CAEICS_{aj} = - (QAEI_{aj} + QACECS_{aj}) * SSP - CAEI_{aj} + (QACECS_{aj} * MP_j)$$

$$\text{whilst for } QAEI_{aj} + QACECS_{aj} < 0,$$

$$CAEICS_{aj} = - (QAEI_{aj} + QACECS_{aj}) * SBP - CAEI_{aj} + (QACECS_{aj} * MP_j)$$

The effect of this is to calculate an imbalance charge that *would* have applied had the Commissioning BM Unit *not* shortfalled. This quantity is represented by $-(QAEI_{aj} + QACECS_{aj}) * SSP_j$ or $-(QAEI_{aj} + QACECS_{aj}) * SBP_j$, depending on whether the resultant imbalance would have been long or short. The cashflow is then split into the existing Account Energy Imbalance Cashflow ($CAEI_{aj}$) and a new Commissioning Status Account Energy Imbalance Cashflow ($CAEICS_{aj}$), with the Trading Party paying the sum of the two.

Thus, for any shortfall that causes an Energy Account to go from long to short, the volume by which the Energy Account is short will be compensated at SBP and the remaining volume, which reduced the amount by which the Energy Account would have been long, is compensated at SSP. This reflects the exactly the additional Energy Imbalance Cashflow incurred as a result of the shortfall.

Note that the Commissioning Status Account Energy Imbalance Volume ($QAEICS_{aj}$) represents energy that has been credited to the relevant Account of the Trading Party and thus reduces the volume charged at SBP_j and/or increases the volume paid at SBP_j . In order to prevent the crediting of 'free' energy, thereby creating a perverse incentive to over-declare FPNs during Commissioning Settlement Periods, the Commissioning Status Account Energy Imbalance Cashflow ($CAEICS_{aj}$) includes a deduction of $QAEICS_{aj}$ priced at the Market Price (MP_j). MP_j is a price representing the price of energy in the

forwards markets, and is derived from a source or sources of price data, as designated by the Panel from time to time.

Market Price would be a price based on a recognised index or combination of indices, representing the value of short-term energy, i.e. the spot value, in the bilateral markets. The Panel will, from time to time, consult on and designate the basis of the Market Price.

A.1.2.3 Residual Cashflow Reallocation Cashflow

Two aspects concerning to Residual Cashflow Reallocation Cashflow (RCRC_{aj}) are addressed in the Proposal.

First is the funding of the Commissioning Status Account Energy Imbalance Cashflow from Total System Residual Cashflow (TRC_j). BSC Section T, equation 4.7.2 is amended with the addition of,

$$TCEICS_j = \sum_a CAEICS_{aj}$$

where TCEICS_j is the Commissioning Status Total System Energy Imbalance Cashflow.

Furthermore, T4.10.1 is amended then to read,

$$TRC_j = TCII_j + CSOBM_j + TCND_j - TCBM_j + TCEI_j + TCEICS_j$$

Second is the entitlement to RCRC_{aj} of the Lead Party in respect of the Credited Energy Volumes of the Commissioning BM Unit. Recognising that a Commissioning BM Unit is immune from exposure to imbalance prices, it can be deemed inappropriate that the Credit Energy Volumes of such a Commissioning BM Unit should attract RCRC_j, which comprises, principally, the cashflow resulting from the imbalance price exposure of other BSC Parties. Accordingly, T4.10.2 is amended to read,

$$RCRP_{aj} = \{ \sum_i^{+CS} (QCE_{aij}) + \sum_i^{-CS} (-QCE_{aij}) \} / \sum_a \{ \sum_i^{+CS} (QCE_{aij}) + \sum_i^{-CS} (-QCE_{aij}) \}$$

where \sum_i^{+CS} is, for each Energy Account a in Settlement Period j, the sum over all BM Units i that are in delivering Trading Units and that are not Commissioning BM Units,

and \sum_i^{-CS} is, for each Energy Account a in Settlement Period j, the sum over all BM Units i that are in off-taking Trading Units and that are not Commissioning BM Units.

A.1.3 Reporting

Each CAEICS_{aj} will be reported to the relevant Party, or other Party on request.

All CAEICS_{aj} will be reported to ELEXON and the Transmission Company.

A.2. Preferred Implementation

As with A.1 with the addition that Commissioning Status Account Energy Imbalance Cashflows are incorporated into the Daily Party Account Energy Imbalance Cashflow, i.e.

$$CAEI_p = \sum_j \sum_{a \in p} CAEI_{aj} + \sum_j \sum_{a \in p} CAEICS_{aj}$$

Each CAEICS_{aj} will be reported to the relevant Party, or other Party on request.

All CAEICS_{aj} will be reported to ELEXON and the Transmission Company.

A.3 Alternative Modification

A.3.1 Commissioning Status Account Credited Energy Volume

In respect of each Commissioning BM Unit in each Settlement Period which is in a Commissioning Settlement Day, the Commissioning Status BM Unit Metered Volume shall be determined such that

$$QMCS_{ij} = QME_{ij} - QM_{ij}$$

For each Subsidiary Party, the Commissioning Status Credited Energy Volume

$$QCECS_{iaj} = QMPR_{iaj} * QMCS_{ij}$$

And for the Lead Party,

$$QCECS_{ij} = \sum_a QCECS_{iaj}$$

where \sum_a represents the sum over all Energy Accounts for Subsidiary Parties of the Lead Party

The Commissioning Status Account Credited Energy Volume shall be determined as,

$$QACECS_{aj} = \sum_i QCECS_{iaj}$$

A.3.2 Commissioning Status Adjusted Account Energy Imbalance Cashflow

The Commissioning Status Adjusted Account Energy Imbalance Cashflow (CAEI'_{aj}) shall be determined as follows:

If $QAEI_{aj} + QACECS_{aj} > 0$,

$$CAEI'_{aj} = -QAEI_{aj} \cdot SSP_j + QACECS_{aj} \cdot (MP_j - SSP_j)$$

and if $QAEI_{aj} + QACECS_{aj} < 0$,

$$CAEI'_{aj} = -QAEI_{aj} \cdot SBP_j + QACECS_{aj} \cdot (MP_j - SBP_j)$$

A.3.3 Commissioning Status Adjusted Account Energy Imbalance Volume

The Commissioning Status Adjusted Account Energy Imbalance Volume (QAEI'_{aj}) shall be determined as follows:

If $CAEI'_{aj} > 0$ and $SBP_j > 0$,

$$QAEI'_{aj} = CAEI'_{aj} / SBP_j$$

or then if $CAEI'_{aj} > 0$ and $SSP_j < 0$,

$$QAEI'_{aj} = CAEI'_{aj} / SSP_j$$

or then if $CAEI'_{aj} < 0$ and $SBP_j < 0$,

$$QAEI'_{aj} = CAEI'_{aj} / SBP_j$$

or then if $CAEI'_{aj} < 0$ and $SSP_j > 0$,

$$QAEI'_{aj} = CAEI'_{aj} / SSP_j$$

A3.4 Commissioning Status Adjusted Account Bilateral Contract Volume

The Commissioning Status Adjusted Account Bilateral Contract Volume (QABC_{aj}') shall be determined such that

$$QABC_{aj}' = QABC_{aj} - (QAEI'_{aj} - QAEI_{aj})$$

The Account Bilateral Contract Volume shall then be adjusted for all purposes in Settlements except for the foregoing section A3.2 to be equal to the Commissioning Status Adjusted Account Bilateral Contract Volume.

ANNEX 2 – MODIFICATION GROUP TERMS OF REFERENCE

The Modification Group should:

- 1 Assist the Proposer in identifying areas of the proposed modification that require further definition including, inter alia:
 - a. definition of Commissioning Plant;
 - b. eligibility for Commissioning Status;
 - c. definition of Commissioning Plan, including the possible concepts of Commissioning Days or Commissioning Settlement Periods and regularity of updates;
 - d. definition of the tests to which the criteria for continued eligibility for commissioning status are applied;
 - e. whether the proposed relief from imbalance exposure assume that commissioning plant are always contracted to the level indicated by the commissioning plan and, if so, the proposed relief for commissioning plant that are either uncontracted or contracted at less than the level indicated by the commissioning plan and are thus selling to imbalance settlement;
 - f. the entitlement of commissioning plant to receive Residual Cashflow Reallocation Cashflow (RCRC); and
 - g. detailed definitions for (e) and (f).
- 2 Assist the Proposer to ensure that adequate definition is supplied for each of the items identified in (1)
- 3 To undertake (1) and (2) with a view to identifying potential issues that may arise including, inter alia:
 - a. incentives on commissioning plant with respect to the submission of FPNs and the level of contracting; and
 - b. potential impact on system operation.
 - c.

Instructions for the assessment procedure:

Pursuant to BSC Section F2.4.12, the following recommendations have been made by the Panel:

The issues raised in the Definition Report plus the implications for embedded generation on demand-side as well the items raised in the consultation responses.

ANNEX 3 – MODIFICATION GROUP MEMBERSHIP

The Modification Group membership was as follows:

Member	Organisation
Justin Andrews	ELEXON (Chair)
Mark Simons	BP Gas & Power (Proposer)
Richard Lavender	NGC
Richard Ford	St. Clements Services
Hannah McKinney	Immingham CHP Ltd.
Rob Barnett	Campbell Carr
Chris Price	PowerGen
Adam Higginson	Ofgem
Nick Elms	Enron
Peter Wibberley	ELEXON (Analyst)

ANNEX 4 - BSC AGENT IMPACT ASSESSMENTS

The Central Service Provider was able only to provide a High-Level Impact Assessment (HLIA) in the time available during the Assessment Phase. This HLIA is attached below.

Three options have been assessed:

- (i) The main Requirement assessed in the HLIA implements as originally specified in the Definition Report;
- (ii) Alternative Requirement One is an alternative implementation which does not require the introduction of an additional Trading Charge by incorporating the Commissioning Status Daily Party Energy Imbalance Cashflow into the existing Daily Party Energy Imbalance Cashflow. This is the preferred implementation of the Proposed Modification.
- (iii) Alternative Requirement Two is an alternative implementation described in Section ???, which minimises the impact on the systems of the NETA Central Services Provider, and the Settlements Administration Agent in particular. The HLIA from the NETA Central Services Provider indicates a cost almost 50% greater than the first two options. However, ELEXON has confirmed verbally that this figure has been given in error, and that the cost should be approximately the difference between the figure given and the estimate for the Alternative Requirement One, i.e approximately £110k.

The Modification Group also considered that the infrequency of the application of the provisions created by the Proposed Modification would be amenable to manual calculation, and the amendment to Account Bilateral Contact Volumes implemented by notifying ex-post amendments to the ECVAA database. This should require no significant development.

To be completed by the Originator						
Change Request ID (to be provided by the Customer) MP25 Logica reference: ICR151			Service affected SAA, CRA			
Change Request Name:			Commissioning Status in NETA			
Agreement by the customer to proceed to the next stage						
	High Level Assessment	Detailed Level Assessment	Change Quotation	Implement Change	Emergency Fix Report	Change Request under Clause 14.2 (delay)
Tick which stage is being requested	✓					
Signed by Customer Baseline Manager						
Signed by Customer Contract Manager						
Date of agreement to proceed to next stage					n/a	n/a
Date this stage to be completed by	03/10/01					
Configuration of Service(s) (baseline affected)						

Assumed Changes (over baseline)	.
Priority	High/Medium/Low
Identified by : Sandy Blows	Date Submitted: 25/09/01
Description of Change See attached original MP25. Each of the three alternatives (Proposed Modification, Alternative Requirement One and Alternative Requirement Two) put forward in the Requirements Specification for P25 (also attached) have been assessed.	
Reason for Change (benefits) See attached original MP25	
Implications of not making the change See attached original MP25	
Attachments/references	MP25 & Requirements Specification
Competition Item Yes/No/n/a	Reasons for Competition
If Change Request made under Clause 14.2 (delay)	Required supporting information attached

To be completed by the Service Provider				
	High Level Assessment	Detailed Level Assessment	Change Quotation	
Tick which stage is being completed	✓			
Signed by Service Provider Contract Manager				
Date	03/10/01			
Validity period of costs/prices	Change Quotation			
	Change		30 days	
Does the change involve any changes to the System or Services			Yes	
Would the undertaking of a Detailed Level Assessment or Change Quotation delay the Trigger Milestone or the Planned Go-Live Date before Go Live or any Release Date after Go Live			N/a	
If Yes – specify which Milestones/Release Dates would be affected	N/a			
Impact on any Milestones of incorporation of change	N/a			
Indicative impact on resources for change incorporation	Phase of the work			
	Design	Build	Test & Trial	Operate
	Labour			
	Materials/3rd Party			
Impact on Service Levels	None			
Impact on IDD	Yes			
Price for Detailed Level Assessment				Indicative/firm
Price for Change Quotation				Indicative/firm
Price for Change	£360,600 (ex VAT) to develop and implement the Proposed Modification.			Indicative
	£6,190 (ex VAT) per month to Operate and Maintain the Proposed Modification.			Indicative
	£338,700 (ex VAT) to develop and implement the Alternative Requirement One.			Indicative
	£5,861(ex VAT) per month to Operate and Maintain the Alternative Requirement One.			Indicative
Price for Change	£450,500 (ex VAT) to develop and implement the Alternative Requirement Two.			Indicative
	£7,539 (ex VAT) per month to Operate and Maintain the Alternative Requirement Two.			Indicative

Assumptions for the above Price: <ul style="list-style-type: none"> Logica will invoice 30% on receipt of CN or authorised start of work, 50% on completion of acceptance tests, 20% on deployment or one month after completion of acceptance tests, whichever is sooner. Price does not include provision for indexation of daily fee rates with effect from 1st April 2002. The Service Description will have been updated by ELEXON and agreed with Logica prior to deployment. For all formal documentation which is subject to review, Logica shall provide one draft issue to the Client. The Client shall review and provide written comments on, or its acceptance of, such documentation within 5 working days of such delivery. Within reasonable levels, ELEXON will make available appropriate staff to assist Logica during the development of this change No allowance has been made for ELEXON to witness testing. Patch testing will be performed on our own system, with external interfaces being simulated as necessary. No allowance has been made for testing with external systems. The cost and durations provided in this HLIA assume that only the CP to which the estimate relates is being implemented. This has been achieved by excluding the effects of other changes. It is anticipated that if ELEXON require a DLIA, this will be carried out for a set of changes, and at that stage the timescale impact of implementing several changes can be included in the assessment. There will be no new Service Levels. The O+M charge has been estimated as a proportion of the price. The detailed technical assumptions are highlighted in the attached Requirement Specification for P25. Flows for interfaces that will be processed manually, have also been highlighted. P27 has not been implemented. As there is an overlap between P25 and P27, there will be a cost reduction in the price if P27 is implemented in conjunction with P25. 		
If the change is to be incorporated after Go Live, is this change proposed to be a patch or release		Patch
If patch, expected time of incorporation	Up to 29 weeks from the date that Logica are instructed to implement this Modification Proposal	
If release - what release number	Release number	
Date	Release Date	
For High Level Assessment only – is it a Detailed Level Assessment Yes/No	If No, estimate of time and resources required to complete	
Resources Required to undertake	Detailed Level Assessment	Change Quotation
Labour		
Materials		
Consequential amendments to base line:		
Proposed method of Change/ Work statement	This change is to amend the Code to promote effective competition in generation and supply, and encourage new generation capacity. This will be done by granting plants a "commissioning status" to allow plants to be held harmless to any cash out exposure should they find themselves out of balance during commissioning.	

Proposed Plan for Change	The estimated time to complete the development of this change is: <ul style="list-style-type: none"> • 25 weeks for both the Proposed Modification and Alternative Requirement One • 29 weeks for Alternative Requirement Two 	
Has the customer has indicated this is a competitive change		No
	Service Provider Plan for competition	
	Risks/Constraints of competition	
	Service Provider plan for incorporation of change including testing	
	Documentation to be produced by Service Provider to enable competition according to plan above	
	Indicative costs of Service Provider role in competition	
For Change Notice only – to be completed by the Customer		
Basis for payment		
Agreed Customer Caused Delay: Yes/No		
If Yes, amount of delay		
Date Change to become effective.	Is this to be a Release Date? Yes/No	
Other items as required under the Change Management Procedures		

ANNEX 5 – TRANSMISSION COMPANY ANALYSIS

Carried out by	Approve	Reject	Comments
Phil Lawton/Richard Lavender, National Grid		<input checked="" type="checkbox"/>	<p>I disagree with the proposed changes.</p> <p>Impact? Yes, but in our view unnecessarily. Please see below.</p> <p>Comments: Within the Requirement Specification, National Grid is only mentioned directly in section 3.2 "Registration of Commissioning Settlement Days". We would like to take this opportunity to confirm our position that we believe it is not appropriate for National Grid (acting on Elexon's behalf or otherwise) to be involved in the notification of what is purely a Settlement data flag.</p> <p>Section 3.2 appears confused in the actual requirements in 3.2.1 options (i) and (ii) add no value, the NETA Central Service agent being the final recipient of the information (option (iii)), as stated in 3.2.2. The provision for the NETA Central Service agent to be informed retrospectively underlines the fact that this is not operational data and can be passed directly to Elexon/Central Service Agent during office hours. Accordingly, we believe that any option involving National Grid in the communication chain will add no value and be rejected.</p> <p>If these comments are accepted, then there is no impact or costs on National Grid.</p>

ANNEX 6 – BSCCO IMPACT ASSESSMENTS

Carried out by	Approve	Reject	Comments
Clive Cushen ELEXON			<p>Impact - YES</p> <p>1. The following products maintained by Design Authority are impacted, assuming the worst case i.e. the full proposal:</p> <p>NETA Data File Catalogue - estimated 3 mdays inc. reviews</p> <p>Reporting Catalogue - estimated 1 mdays inc. reviews</p> <p>SVA Data Catalogue - no impact</p> <p>Business Process Model - estimated 4 mdays inc. reviews</p> <p>BSC Website Market data URS - no impact as per the BRS</p> <p>2. There are other potential impacts on Elexon outside of Trading that need to be considered; - we need identify whether the commissioning status and associated charges are eligible for disputes; - there are new flows to Elexon which may impact the IT infrastructure products like Gatekeeper.</p>

ANNEX 7 – BSC PARTY AND PARTY AGENT IMPACT ASSESSMENTS

Carried out by	Approve	Reject	Comments
<p>Libby Glazebrook</p> <p>Edison Mission Energy on behalf of:</p> <p>First Hydro Company Edison First Power Lakeland Power</p>		✓	<p>I disagree with the proposed changes.</p> <p>Impact? Yes, RCRC will be reduced. Comments:</p> <p>Our views on this proposal remain unchanged from our response to the initial consultation (dated 27 July 2001). Specifically, I would like to draw attention to the following taken from our earlier response:</p> <p>There must be incentives on all companies (renewables excepted) to declare accurate Physical Notifications and to deliver to them, whether they have commissioning plant, plant returning from outage or simply delivering to contract positions on an on-going basis.</p> <p>The proposal is to effectively remove these incentives for companies with commissioning plant, leaving them in a privileged position of imposing costs on the system that would need to be picked up by others. They would have little incentive to perform well, and indeed they would be in a position in which they can exploit this period for commercial gain by cherry picking which days should be Commissioning Settlement Days.</p> <p>Companies commissioning plant need to recognise the costs they cause. Rules should not render commissioning as a profit-making opportunity, but rather a time to plan and manage their physical position as closely as possible. They may seek to manage this contractually, or simply accept their liability for the costs they impose.</p>
<p>Lina Shah Siemens</p>	✓		<p>I agree with the proposed changes.</p> <p>Impact? No</p>

Carried out by	Approve	Reject	Comments
Rachel Gardener GPU Power			No Comment
Sue Macklin Response on behalf of: SSE Generation Ltd. SSE Energy Supply Ltd. Keadby Generation Ltd. Keadby Development Ltd.		✓	<p>I disagree with the proposed changes.</p> <p>Impact? See comments below</p> <p>Comments:</p> <p>As stated in previous responses to this modification proposal, we believe commissioning plant, like all other categories of participant, should be incentivised to minimise the impact on the system and this is achieved through energy imbalance charges. If the proposals were implemented, we believe there would be no such incentive for commissioning plant. We believe the impact of imbalance charges on commissioning plant is overstated and that it would be more appropriate for such risks to be treated in the same way as all other commercial and operational risks associated with such projects.</p> <p>We believe it is against the BSC objectives that all other participants should be required to compensate commissioning plant for their imbalance exposure. In particular it is not in line with the principle behind the Panel objective referred to in Section B 1.2.1 of the Balancing and Settlement Code that requires the Code to be given effect without undue discrimination between Parties or classes of Party.</p> <p>We are also concerned that the central system implementation costs associated with this modification could be significant, particularly in relation to the number of participants likely to benefit. It is inappropriate that all participants are expected to pick up a share of these development cost. We would be very interested in information regarding the expected implementation costs and timescales for central systems.</p> <p>In terms of the impact on our own organisation it is difficult to say what they might be at this stage given the detail</p>

			provided but it is possible that there would be some impact on settlement systems
Janice Tanner Barking Power		✓	I disagree with the proposed changes.
Dave Morton Seeboard	✓		I agree with the proposed changes but this is conditional, dependent upon option chosen, see comments below. Impact? Yes Comments: We have examined all three options within "Requirements Specification for Modification P25: Commissioning Status in NETA" document. We would only agree with this proposed change if either the original or alternative one proposal is taken forward. We do not feel that alternative two should be taken forward.
Helen Lees Npower Ltd			Npower Ltd can confirm that CPC50 will have an affect on our systems (particularly our NETA Settlements System - SONET). We are awaiting further information from the Software developers, and I will forward this on when it arrives.
Edward Coleman TXU		✓	I disagree with the proposed changes. Impact? Yes No comments.
Corrina Harvey IMServ Europe			Comments: no impact

ANNEX 8 – DERIVATION OF BSC RULES FOR THE ALTERNATIVE MODIFICATION

1. In respect of each Commissioning BM Unit in each Settlement Period which is in a Commissioning Settlement Day,

$$QMCS_{ij} = QME_{ij} - QM_{ij}$$

For each Subsidiary Party,

$$QCECS_{iaj} = QMPR_{iaj} * QMCS_{ij}$$

And for the Lead Party,

$$QCECS_{ij} = \sum_a QCECS_{iaj}$$

where \sum_a represents the sum over all Energy Accounts for Subsidiary Parties of the Lead Party

$$QACECS_{aj} = \sum_i QCECS_{iaj}$$

1. Using SBP_j and SSP_j derived from the previous Settlement Run or as calculated by Workaround [24], calculate the following:

If $QAEI_{aj} + QACECS_{aj} > 0$,

$$\begin{aligned} CAEI' &= - (QAEI_{aj} + QACECS_{aj}).SSP_j + QACECS_{aj}.MP_j \\ &= - QAEI_{aj}.SSP_j + QACECS_{aj}.(MP_j - SSP_j) \end{aligned}$$

and if $QAEI_{aj} + QACECS_{aj} < 0$,

$$\begin{aligned} CAEI' &= - (QAEI_{aj} + QACECS_{aj}).SBP_j + QACECS_{aj}.MP_j \\ &= - QAEI_{aj}.SBP_j + QACECS_{aj}.(MP_j - SBP_j) \end{aligned}$$

2. Calculating an equivalent volume, $QAEI'_{aj}$, that gives the required $CAEI'_{aj}$ needs to take account of whether $QAEI'_{aj}$ is negative or positive and thus has the SBP or SSP applied. Thus,

If $CAEI'_{aj} > 0$ and $SBP_j > 0$,

$$CAEI'_{aj} = - QAEI'_{aj}.SBP_j$$

$$\therefore QAEI'_{aj} = CAEI'_{aj} / SBP_j$$

or if $CAEI'_{aj} > 0$ and $SSP_j < 0$,

$$CAEI'_{aj} = - QAEI'_{aj}.SSP_j$$

$$\therefore QAEI'_{aj} = CAEI'_{aj} / SSP_j$$

or if $CAEI'_{aj} < 0$ and $SBP_j < 0$,

$$CAEI'_{aj} = - QAEI'_{aj}.SBP_j$$

$$\therefore \quad \text{QAEI}'_{aj} = \text{CAEI}'_{aj} / \text{SBP}_j$$

or if $\text{CAEI}'_{aj} < 0$ and $\text{SSP}_j > 0$,

$$\text{CAEI}'_{aj} = - \text{QAEI}'_{aj} \cdot \text{SSP}_j$$

$$\therefore \quad \text{QAEI}'_{aj} = \text{CAEI}'_{aj} / \text{SSP}_j$$

Note that if $\text{CAEI}'_{aj} > 0$, and both $\text{SBP}_j > 0$ and $\text{SSP}_j < 0$, then two solutions for QAEI'_{aj} are possible. Similarly, if $\text{CAEI}'_{aj} < 0$, and both $\text{SBP}_j < 0$ and $\text{SSP}_j > 0$, then two solutions for QAEI'_{aj} are again possible.

3. To amend QAEI_{aj} to equal QAEI'_{aj} ,

$$\text{QAEI}_{aj} = \text{QACE}_{aj} - \text{QABO}_{aj} - \text{QABC}_{aj}$$

and

$$\text{QAEI}'_{aj} = \text{QACE}_{aj} - \text{QABO}_{aj} - \text{QABC}'_{aj}$$

$$\begin{aligned} \therefore \quad \text{QABC}'_{aj} &= (\text{QAEI}_{aj} + \text{QABC}_{aj}) - \text{QAEI}'_{aj} \\ &= \text{QABC}_{aj} - (\text{QAEI}'_{aj} - \text{QAEI}_{aj}) \end{aligned}$$

ANNEX 9 – RESPONSES TO THE INITIAL CONSULTATION ON THE MODIFICATION PROPOSAL

See separate attachment.