

August 2001

**MODIFICATION REPORT**  
**MODIFICATION PROPOSAL P14 -**  
**Manifest Error Provisions where the Bid-Offer**  
**Acceptance in question has not been acted upon**

**Prepared by ELEXON on behalf of the Balancing  
and Settlement Code Panel**

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### b Distribution

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## **II CONTENTS TABLE**

|                  |                                                                    |           |
|------------------|--------------------------------------------------------------------|-----------|
| <b>I</b>         | <b>Document Control.....</b>                                       | <b>2</b>  |
| a                | Authorities.....                                                   | 2         |
| b                | Distribution.....                                                  | 2         |
| c                | Intellectual Property Rights and Copyright.....                    | 2         |
| <b>II</b>        | <b>Contents Table .....</b>                                        | <b>3</b>  |
| <b>1</b>         | <b>Summary and Recommendations .....</b>                           | <b>4</b>  |
| 1.1              | Recommendation.....                                                | 4         |
| 1.2              | Background.....                                                    | 4         |
| 1.3              | Rationale for Recommendations.....                                 | 4         |
| <b>2</b>         | <b>Introduction.....</b>                                           | <b>5</b>  |
| <b>3</b>         | <b>Purpose and Scope of the Report .....</b>                       | <b>5</b>  |
| <b>4</b>         | <b>History of Proposed Modification.....</b>                       | <b>6</b>  |
| <b>5</b>         | <b>Description of Proposed Modification.....</b>                   | <b>7</b>  |
| <b>6</b>         | <b>Rationale for Panel Recommendations .....</b>                   | <b>8</b>  |
| <b>7</b>         | <b>Legal Text to Give Effect to the Proposed Modification.....</b> | <b>9</b>  |
| <b>8</b>         | <b>Assessment .....</b>                                            | <b>10</b> |
| <b>9</b>         | <b>Summary of Representations.....</b>                             | <b>11</b> |
| <b>Annex 1 –</b> | <b>Representations .....</b>                                       | <b>12</b> |

## 1 SUMMARY AND RECOMMENDATIONS

### 1.1 Recommendation

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal during the Assessment Phase, and the resultant findings of this report, the BSC Panel recommends that:

- a) **the Modification Proposal and the Alternative rejected;**
- b) **the existing Manifest Error process requires clarification and that this is being addressed in a forthcoming Panel paper.**

### 1.2 Background

National Grid Company raised the Modification on 22<sup>nd</sup> May 2001. At its meeting on 31<sup>st</sup> May 2001, the Panel agreed (Panel paper 19/003) that Modification P14 should be submitted to the Assessment Procedure, and that the Assessment Report should be completed by 23<sup>rd</sup> August 2001. The Group assessed the Modification and prepared an Assessment Report which was submitted to the Panel (Panel paper 29/015)

The Panel considered the Assessment Report at its meeting on 23 August 2001 and agreed that the Modification should proceed to the Report Phase, and that the draft Modification Report to be consulted upon should contain a recommendation to the Authority that the Modification should be rejected.

### 1.3 Rationale for Recommendations

The rationale is that:

- There is an existing means of resolution, the Manifest Error process, albeit with some clarification required;
- Errors that could be treated under the P14 proposal are expected to be rare (a maximum of 10 occurrences per annum) and the projected cost savings modest;
- In relation to the BSC Objectives:
  - Promoting efficiency in the implementation and administration of the balancing and settlement arrangements; **The Original Proposal furthers this objective by provision of better pricing information but is an expensive solution involving significant BSC System changes. The Alternative is lower cost but does not provide better pricing information. In addition concerns remain in both cases over decision making moving from the Trading Disputes Committee. The overall effect is considered marginal for P14 and the Alternative;**
  - For all other BSC Objectives the Original Proposal and the Alternative are considered to be neutral.

## 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.

This Modification Report is addressed and furnished to the Gas and Electricity Markets Authority ('the Authority') and none of the facts, opinions or statements contained herein may be relied upon by any other person.

An electronic copy of this document can be found on the BSC website, at [www.elexon.co.uk](http://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).

A Modification Report must be prepared and submitted to the Authority in respect of each proposed modification and must contain:

- (a) The recommendation of the Panel as to whether or not the Proposed Modification or any Alternative Modification should be made;
- (b) The proposed Implementation Date for implementation of the Proposed Modification or any Alternative Modification;
- (c) The matters set out in Annex F-1 of the BSC. This will usually be in the form of the relevant Assessment Report where the Proposal has been submitted to a Modification Group prior to the Report Phase;
- (d) An explanation of the Panel's rationale should the Panel form a different view of any matters contained in the Modification Group Report; and
- (e) 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.

#### **4 HISTORY OF PROPOSED MODIFICATION**

National Grid Company raised the Modification on 22<sup>nd</sup> May 2001. At its meeting on 31<sup>st</sup> May 2001, the Panel agreed (Panel paper 19/003) that Modification P14 should be submitted to the Assessment Procedure, and that the Assessment Report should be completed by 23<sup>rd</sup> August 2001. The Group assessed the Modification and prepared an Assessment Report which was submitted to the Panel (Panel paper 29/015)

The Panel considered the Assessment Report at its meeting on 23 August 2001 and agreed that the Modification should proceed to the Report Phase, and that the draft Modification Report to be consulted upon should contain a recommendation to the Authority that the Modification should be rejected.

## **5 DESCRIPTION OF PROPOSED MODIFICATION**

The BSC makes provision for the claim of Manifest Errors in Bid-Offer Acceptances which are referred to the Trading Disputes Committee for resolution. In the event that the claim is upheld the appropriate revisions to Settlements are made for the SF run.

Modification P14 proposes that Bid-Offer Acceptances can be bilaterally agreed as erroneous between the Transmission Company and the counter-party when they have not yet been acted upon. A rescinding instruction is proposed as the new mechanism for achieving this and to ensure accurate and timely pricing information and so that Settlement takes account. Referral to the Trading Disputes Committee is thus avoided, although the right to claim is retained if agreement is not reached.

A procedurally based Alternative was also developed as a lower cost solution than the fully automated original. The Alternative exploits the existing workaround (W018) to submit revised data to Settlement by the SF run, although the pricing information is not provided as timely as the original proposal.

## 6 RATIONALE FOR PANEL RECOMMENDATIONS

The recommendation to reject the Original Proposal and the Alternative was on the grounds that:

- There is an existing means of resolution, the Manifest Error process, albeit with some clarification required (this is in hand with analysis input from ELEXON and NGC);
- Errors that could be treated under the P14 proposal are expected to be rare (a maximum of 10 occurrences per annum) and the projected cost savings modest (the analysis was carried out by the Modification Group);

In relation to the BSC Objectives:

- a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence - **P14 or the Alternative does not further this objective;**
- b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System - - **P14 or the Alternative does not further this objective;**
- c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity - **P14 or the Alternative does not further this objective;**
- d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements; **The original P14 furthers this objective by provision of better pricing information but is an expensive solution involving significant BSC System changes. The Alternative is lower cost but does not provide better pricing information. In addition concerns remain in both cases over decision making moving from the Trading Disputes Committee. The overall effect is considered marginal for P14 and the Alternative.**

## **7 LEGAL TEXT TO GIVE EFFECT TO THE PROPOSED MODIFICATION**

Not applicable as rejection has been recommended

## 8 ASSESSMENT

The historic position was that 3 Manifest Error claims had arisen during live operation. Of these, only one would have been amenable to the proposal or its alternative. It was also noted that all 3 Manifest Errors had occurred during the first 2 months of operation. The assumption used by NGC was that 10 such incidents would occur per annum; some members of the Modification Group were of the view that the number would be lower.

Analysis undertaken by NGC and Elexon showed potential savings of 5 man-days per incident, split between the organisations. On this basis, and using the assumption of 10 incidents per annum; a total cost saving of 50 man-days per annum (i.e.£25K @ £500 per man day). The estimated costs of proceeding with the Detailed Analysis were £20K, and this was a factor in the Group's majority decision not to proceed further.

In relation to the specific Applicable BSC Objectives the Modification Group came to the following views on P14:

- a) The efficient discharge by the Transmission Company of the obligations imposed under the Transmission Licence; **P14 does not further this objective**
- b) The efficient, economic and co-ordinated operation by the Transmission Company of the Transmission System; **P14 does not further this objective**
- c) Promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase of electricity; **P14 does not further this objective**
- d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements; **the original P14 furthers this objective by provision of better pricing information but is a very expensive solution. The Alternative is lower cost but does not provide better pricing information. The overall effect is marginal in both cases.**

The consultation responses to P14 were predominantly negative with a widespread concern at decision making moving from the Trading Disputes Committee and loss of transparency. The group subsequently determined that neither the proposal nor the alternative warranted the cost of progressing to a detailed impact assessment.

Concern was raised by NGC that clarification of the Manifest Error process was required, particularly regarding the utilisation of the existing workaround W018.

## **9 SUMMARY OF REPRESENTATIONS**

[Insert summary of responses to consultation on Draft Modification Report. Insert copies at Annex 1.]

A summary and copies of the original representations received and considered by the Modification Group under the initial consultation on this proposal can be found in the Assessment Report on this proposal. This Modification Report should be read in conjunction with that Assessment Report.

## **ANNEX 1 – REPRESENTATIONS**

[Insert copies of representations on Draft Modification Report]