

1 SUMMARY AND RECOMMENDATIONS

1.1 Recommendation

Modification Proposal P008 seeks to replace Workaround 024 by incorporating Price Adjuster functionality within the BSC Systems. On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal, and the resultant findings of this Modification Report, the Panel recommends to the Authority that:

The Proposed Modification as set out in Section 7 of this Modification Report be approved with an Implementation Date of 25th September 2001. Settlement runs carried out after the Implementation Date in respect of Settlement Days prior to that date should not be carried out taking account of the Modification Proposal P008.

1.2 Background

The Transmission Company raised the Proposed Modification on 20th April 2001. It is intended to replace Workaround 024, which was implemented as a temporary solution to the Price Adjuster functionality proposed by Modification Proposal P003. The Authority decision was not to apply the Balancing and Settlement Code ('the Code') changes proposed in Modification Proposal P003. Instead, the Authority agreed to Workaround 024 which involved temporary alterations to the Balancing Services Adjustment Data (BSAD) Methodology, the NETA Central Service Agent's processes and ELEXON procedures.

At its meeting on 3rd May 2001, the Panel agreed (Panel paper 017/002) that Modification Proposal P008 should be submitted to the Assessment Procedure. The Panel agreed that the Assessment Report should be submitted to the Panel meeting on 26th July 2001.

The Panel considered the P008 Modification Group Assessment Report, which forms attachment 1 to this Modification Report, at its meeting on 26th July 2001 (Panel paper 026/014). The Panel agreed that the Proposed Modification should proceed to the Report Phase, on the basis that the Proposed Modification would better facilitate achievement of the Applicable Code Objectives. The Panel also agreed that the draft Modification Report, to be consulted upon, should contain a recommendation to the Authority that the Proposed Modification should be approved and implemented with effect from the Implementation Date described in Section 1.1.

Nine representations were received in response to the consultation on the Draft Modification Report representing the views of 37 Parties. Eight of the responses, representing 34 Parties, were supportive of the Proposed Modification and the Panel's rationale in recommending the adoption of the revision, stating that it would better facilitate the Applicable Code Objectives. The remaining response, representing 3 Parties, expressed concerns about implementing the Proposed Modification because of possible interaction between the BSC and imbalance prices and NGC's balancing related activities, and the possible software costs of implementation and believed that other workarounds should be considered.

The Draft Modification Report was considered by the Panel at its meeting on 23rd August 2001. The Panel agreed to recommend to the Authority that Modification Proposal P8 be approved. In making this recommendation the Panel also recommended that the necessary system changes would be implemented on 30 April 2002 and that the Modification would be applied to all Settlement Days from 5 April 2001. The Panel also concluded that ELEXON should continue dialogue with the Central System Provider with a view to advancing the Implementation Date. As a result of these discussions it was possible to advance the Implementation Date to 27 March 2002.

However, following the Panel's consideration of the Draft Modification Report and prior to the submission of a Final Modification Report to the Authority, concerns were raised about the possible legal implications of the proposed Effective Date which could be considered as requiring retrospective changes to BSAD Methodology. In view of these concerns, ELEXON was of the opinion that submitting the Modification Report with an Effective Date of 5 April 2001 was likely to lead to the Authority rejecting the proposal. Accordingly the Modification Report was not issued to the Authority.

The interim solution to P18A is scheduled to be implemented on 25 September 2001 and embodies the methodology for Modification P8. In view of this ELEXON propose to recommend to the Panel that, subject to industry consultation, the effective date for Modification P8 should be amended to 25th September 2001 whilst the Implementation Date should remain as 27th March 2002.

An industry consultation was carried out on the proposed change of the effective date from 5th April 2001 to 25th September 2001. The Results of the consultation have not yet been received. However, NGC has expressed concern about the proposed legal text and in particular the interpretation of Implementation Date and effective date.

The changes to ELEXON's TOMAS system to implement the interim solution to P18A are scheduled to be implemented on 25 September 2001 and embody the methodology for Modification P8. In view of this, and NGC's concerns, ELEXON proposed to the Panel on 20 September 2001 that the P8 Code changes should be implemented using TOMAS as an interim solution, similar to P18A. As with P18A, the SAA software changes would then provide a long term enduring solution to P8. The consequence of this would be that both the Code changes and the software changes (via TOMAS) would be implemented on the same day, 25th September.

1.3 Rationale for Recommendations

The Panel endorses the Modification Group's conclusions that the Proposed Modification would better facilitate the Applicable BSC Objectives as set out in the Transmission Licence. In particular, it would meet objective 7A(3)(d) – 'promoting efficiency in the implementation and administration of the balancing and settlement arrangements'. The Proposed Modification has no impact on the remaining Applicable BSC Objectives set out in Condition 7A(3)(a - c). In reaching this conclusion, the Panel took due account of the views of the proposer, all representations received from interested parties and the views of the Modification Group, which are detailed in Section 5 below. This Modification Report should be read in conjunction with the Modification Group's Assessment Report.