



March 2002

**MODIFICATION REPORT**  
**Modification P004 - Dual Energy**  
**Contract Notification**

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

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### b Distribution

Name	Organisation
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Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
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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.....	5
<b>2</b>	<b>Introduction.....</b>	<b>6</b>
<b>3</b>	<b>Purpose and Scope of the Report .....</b>	<b>7</b>
<b>4</b>	<b>History of Proposed Modification.....</b>	<b>8</b>
<b>5</b>	<b>Description of Proposed Modification.....</b>	<b>10</b>
<b>6</b>	<b>Rationale for Panel Recommendations .....</b>	<b>11</b>
<b>7</b>	<b>Legal Text to Give Effect to the Proposed Modification.....</b>	<b>12</b>
7.1	Conformed Version .....	12
7.2	Clean Version .....	12
<b>8</b>	<b>Assessment .....</b>	<b>13</b>
<b>9</b>	<b>Summary of Representations.....</b>	<b>14</b>
9.1	Initial Consultation.....	14
9.2	Second Consultation and Impact Assessment .....	14
9.3	Consultation on Draft Modification Report.....	14
9.4	Consultation on Revised Implementation Date .....	14
<b>Annex 1 – Copies of Representations .....</b>		<b>16</b>
<b>Annex 2 – Responses to Consultation on Revised Implementation Date.....</b>		<b>23</b>

## 1 SUMMARY AND RECOMMENDATIONS

### 1.1 Recommendation

The Proposed Modification P004 seeks to replace the present arrangements for Volume Notifications by a central system that only submits/notifies valid dual notifications agreed between Parties into the BSC Systems. An Alternative Modification, following a request by the Panel, was raised that seeks to enhance the ECVAA reporting by providing the following additional/amended reports:

- New Acceptance Feedback dataflow; and
- Amendments to the existing Forward Contract Report.

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 Panel recommends to the Authority that:

- **The Proposed Modification should be rejected.**
- **The Alternative Modification as set out in Section 7 of this report be approved with an Implementation Date of the release date for BSC Systems which first occurs not less than 3 months after the date of the Authority's decision.**

The effect of the proposed Implementation Date would be as follows:-

<b>Authority Decision</b>	<b>Implementation Date</b>
before end of April 2002	August 2002
after end of April 2002 but before end of August 2002	December 2002
after end of August 2002 but before end of October 2002	February 2003
after end of October 2002 but before end of February 2003	June 2003

### 1.2 Background

Dynegy raised the Modification on 28<sup>th</sup> March 2001. At its meeting on 5<sup>th</sup> April 2001, the Panel agreed (Panel paper 016/004) that Modification P004 should be submitted to the Assessment Procedure, and that the Assessment Report should be completed by 28<sup>th</sup> June 2001. The Group assessed the Modification and prepared an interim Assessment Report which was submitted to the Panel on 28<sup>th</sup> June 2001 (Panel paper 022/003) with a request that the Assessment Procedure timetable should be extended. The Panel rejected the extension request and instead requested that the Assessment Report be submitted to the Panel meeting on 26<sup>th</sup> July 2001 (Panel paper 026/012).

The Panel considered the P004 Modification Group Assessment Report, which forms attachment 1 to this Modification Report, at its meeting on 26<sup>th</sup> July 2001. The Panel agreed that the Alternative 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 Alternative Modification should be approved and implemented with effect from the Implementation Date described in Section 1.1.

Ten representations were received in response to the consultation on the draft Modification Report representing the views of 38 Parties. Of these responses: -

- 6 responses, representing 15 Parties, supported implementation of the Alternative Modification and rejection of the original Modification Proposal.
- 2 responses, representing 19 Parties, supported implementation of the Alternative Modification but on the basis that the original Modification Proposal was implemented as well but at a later date.
- 2 responses, representing 4 Parties, supported implementation of the original Modification Proposal and did not support implementation of the Alternative Modification.

The Panel confirmed its recommendation at its meeting on 23<sup>rd</sup> August 2001.

In February 2002, it became clear that the absence of a decision from the Authority meant that the works necessary to implement the P4 Alternative Modification could not be completed in time to realise the Implementation Date of 27 March 2002. Following agreement by the Authority, a consultation was carried out on a revised Implementation Date. This revised Implementation Date is shown in Section 1.1 above. Details of the background to this change of Implementation Date and the consultation are shown in Section 4 of this report.

### **1.3 Rationale for Recommendations**

The Panel endorsed the Modification Group's conclusions that the Alternative Modification would better facilitate the Applicable BSC Objectives as set out in Condition 7A(3) of the Transmission Licence. In particular, it would meet primarily objective 7A(3)(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". The Alternative Modification has no impact on the remaining Applicable BSC Objectives set out in Condition 7A(3)(a-b) and 7A(3)(d). 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.

## **2 INTRODUCTION**

This report has been prepared by ELEXON Ltd., on behalf of the Panel, in accordance with the terms of the 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 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

Dynegy raised the Modification on 28<sup>th</sup> March 2001. At its meeting on 5<sup>th</sup> April 2001, the Panel agreed (Panel paper 016/004) that Modification P004 should be submitted to the Assessment Procedure, and that the Assessment Report should be completed by 28<sup>th</sup> June 2001. The Group assessed the Modification and prepared an interim Assessment Report which was submitted to the Panel on 28<sup>th</sup> June 2001 (Panel paper 022/003) with a request that the Assessment Procedure timetable should be extended. The interim Assessment Report also recommended that the scope of the Proposed Modification should include enhanced ECVAAs reporting. The Panel rejected the request for an extended timetable, requested that enhanced ECVAAs reporting should be treated as an Alternative Modification and requested that the Assessment Report should be submitted to the Panel meeting on 26<sup>th</sup> July 2001.

The Panel considered the P004 Modification Group Assessment Report at its meeting on 26<sup>th</sup> July 2001 (Panel paper 026/012) and agreed that the Alternative Modification should proceed to the Report Phase, therefore resulting in the Proposed Modification being rejected, and that the draft Modification Report, to be consulted upon, should contain a recommendation to the Authority that the Alternative Modification should be approved and implemented with effect from the Implementation Date described in Section 1.1.

The draft Modification Report was sent for consultation by Parties and ten representations were received in response to the consultation on the draft Modification Report representing the views of 38 Parties. Of these responses: -

- 5 responses, representing 13 Parties, supported implementation of the Alternative Modification and rejection of the original Modification Proposal.
- 3 responses, representing 19 Parties, supported implementation of the Alternative Modification but on the basis that the original Modification Proposal was implemented as well but at a later date, and requested that further quotations are sought on the provision of the dual contract notification service.
- 2 responses, representing 4 Parties, supported implementation of the original Modification Proposal and did not support implementation of the Alternative Modification.

Panel Meeting 29 on 23 August 2001 agreed to recommend to the Authority that the Alternative Modification P4 be made with an Implementation Date of 27 March 2002 and the Modification Report for P4 that was sent to the Authority specified an Implementation Date of 27 March 2002.

In February 2002, it became clear that the absence of a decision from the Authority meant that the works necessary to implement the P4 Alternative Modification could not be completed in time to realise the Implementation Date of 27 March 2002.

Panel meeting 40 on 14 February 2002 decided that it would seek the Authority's agreement to withdraw the Modification Report for Modification Proposal P4. Subject to the Authority agreeing to the withdrawal of the Modification Report, the Panel also agreed that: -

- an amended Modification Report for Modification Proposal P4 containing a revised implementation date should be prepared;
- that the amended Modification Report for Modification Proposal P4 containing a revised implementation date should be consulted on; and

- that the revised Modification Report for Modification Proposal P4 be submitted to the Panel meeting on 14 March 2002.

Subsequent to the meeting the Authority agreed this course of action and a consultation on the revised implementation Date was conducted. This consultation proposed that the Implementation Date be set to:-

**“The Alternative Modification as set out in Section 7 of this report be approved and implemented on the release date for BSC Systems which first occurs not less than 3 months after the date of the Authority’s decision.”**

The proposed date is intended to reflect the dependency on an Authority decision, and seeks to balance the lead time for impacted parties with future planned release dates for the BSC Systems. On the basis of a 3 month lead time for Participants, the effect of the proposed date would be as follows: -

- an Authority decision by the end of April 2002 would lead to an Implementation Date in August 2002;
- an Authority decision after the end of April 2002 but before the end of August 2002 would lead to an Implementation Date in December 2002;
- an Authority decision after the end of August 2002 but before the end of October 2002 would lead to an Implementation Date in February 2003; and
- an Authority decision after the end of October 2002 but before the end of February 2003 would lead to an Implementation Date in June 2003.

There were 15 responses to the consultation which all supported the change to the Implementation Date although two suggested that the delay before implementation should be greater than 3 months. A summary of the responses is given in section 9.4 of this document.

## 5 DESCRIPTION OF PROPOSED MODIFICATION

A copy of Modification P004 can be found in Annex 1 of the Assessment Report produced by the Modification Group. In order to reduce significantly the commercial risks associated with Volume Notification, thereby encouraging within-day trading and reducing industry costs, the Modification proposed that dual notification of all Volume Notifications should be introduced.

The Modification would change the Volume Notification process in the Code such that:

- Each Party would notify their agreed contract volumes and only valid matched notifications would result in a contract volume being successfully notified for use in Settlements;
- Any non-matching notifications would automatically be rejected and the BSC Agent would notify both Parties of their failure to complete a valid Volume Notification;
- The BSC Agent would be responsible for notifying each Party of the acceptance of matching Volume Notifications.

The Alternative Modification considered by the Modification Group, (described in the Assessment Report) would introduce:

- New Acceptance Feedback dataflow; and
- Amendments to the existing Forward Contract Report.

The new Acceptance Feedback Report would mean that on receipt and successful business validation of a contract notification (ECVN / MVRN), a positive Acceptance Feedback dataflow covering 72 Settlement Periods forward, should be generated to the sending Notification Agent and the counterparties to the contract notification. The Forward Contract Report (ECVAA-I022 / E0221) would be changed so as to include:

- all Settlement Periods, which have not yet gate closed on the day the report is generated at the Report Snapshot Time;
- reporting on Null / Zero volumes for Settlement Periods for any relevant Notification Agent Authorisation and Trading Party; and
- the filename of the original notification last received which has been processed and incorporated in the Forward Contract Report.

## **6 RATIONALE FOR PANEL RECOMMENDATIONS**

The Panel endorsed the views set out in the Modification Group's Assessment Report that the Alternative Modification should be implemented as it would facilitate within day trading, increase market liquidity and deliver the majority of the benefits of dual notification.

In light of the above considerations, the Panel has concluded that the Alternative Modification would better facilitate the Applicable BSC Objectives as set out in Condition 7A(3) of the Transmission Licence in comparison with the original Modification Proposal. In particular, it would meet primarily objective 7A(3)(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".

On the basis of the analysis, consultation and assessment undertaken in respect of this Modification Proposal and the Alternative Modification, the Panel recommends to the Authority that the Alternative Modification be approved and implemented with effect from the Implementation Date described in Section 1.1. The Panel also recommends to the Authority that the Proposed Modification should be rejected. This Modification Report should be read in conjunction with the Modification Group's Assessment Report.

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

BSC Section V to read:

### 7.1 Conformed Version

TABLE 3 – ECVAA REPORTING

<b>Name of report</b>	<b>Frequency</b>	<b>Recipient</b>	<b>General Description</b>
<i>Acceptance Feedback Report for valid ECVNs</i>	<i>Promptly after successful validation</i>	<i>Parties, ECVNA</i>	<i>For each Contract Trading Party, a positive feedback to report the acceptance of those ECVNs where the effective date of the ECVN is no greater than 72 Settlement Periods ahead</i>
<i>Acceptance Feedback Report for valid MVRNs</i>	<i>Promptly after successful validation</i>	<i>Parties, MVRNA</i>	<i>For each Contract Trading Party, a positive feedback to report the acceptance of those MVRNs where the effective date of the MVRN is no greater than 72 Settlement Periods ahead</i>

Although there will be physical changes to the Forward Notification Summary report there is no need to modify the details for this report within Section V of the Code.

### 7.2 Clean Version

TABLE 3 – ECVAA REPORTING

<b>Name of report</b>	<b>Frequency</b>	<b>Recipient</b>	<b>General Description</b>
Acceptance Feedback Report for valid ECVNs	Promptly after successful validation	Parties, ECVNA	For each Contract Trading Party, a positive feedback to report the acceptance of those ECVNs where the effective date of the ECVN is no greater than 72 Settlement Periods ahead
Acceptance Feedback Report for valid MVRNs	Promptly after successful validation	Parties, MVRNA	For each Contract Trading Party, a positive feedback to report the acceptance of those MVRNs where the effective date of the MVRN is no greater than 72 Settlement Periods ahead

## 8 ASSESSMENT

The following is a summary of the impacts identified in the Assessment Report produced by the Modification Group, which forms Attachment 1 to this report.

The Alternative Modification will have the following impacts:

- Amendment to Section V of the BSC. The relevant legal drafting can be found at Section 7 of this report;
- There would be an impact on the Code Subsidiary Documents, in particular the Reporting Catalogue, the NETA Data File Catalogue and the Interface Design document – Logica – Parts 1 & 2;
- The ECVAAs System would need to be modified to produce the amended and new reports;
- There would be an impact on Party and Party systems so that they can receive the new and amended flows;
- There would be an increase in the payments due under BSC Agent Contracts;
- No impact on the Core Industry Documents;
- No impact on the statutory, regulatory and contractual framework within which the Code sits; and
- No impact on the systems and processes of BSCCo.

## **9 SUMMARY OF REPRESENTATIONS**

### **9.1 Initial Consultation**

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 the Proposed Modification. Of the 18 Parties which responded to the consultation undertaken in April 2001, 10 broadly supported, 3 objected and 3 provided other responses. The remaining 2 responses made no comment.

### **9.2 Second Consultation and Impact Assessment**

Copies of the responses received and considered by the Modification Group under the second consultation and impact assessment on this proposal can be found in the Assessment Report on the Proposed Modification. There is no consensus from the 17 Parties that responded on the dual notification proposal and who should perform this role. The majority of Parties (14) stated that enhanced reporting should be introduced.

### **9.3 Consultation on Draft Modification Report**

Ten responses were received in response to the consultation on the draft Modification Report representing the views of 38 Parties. Copies of these responses are attached at Annex 1 to this report.

Of the responses: -

- 5, representing 13 Parties, supported implementation of the Alternative Modification and rejection of the original Modification Proposal.
- 3, representing 19 Parties, supported implementation of the Alternative Modification but on the basis that the original Modification Proposal was implemented as well but at a later date, and requested that further quotations are sought on the provision of the dual contract notification service.
- 2, representing 4 Parties, supported implementation of the original Modification Proposal and did not support implementation of the Alternative Modification.

The Modification Group had previously suggested to the Panel that the dual notification service could be provided following a competitive tendering exercise. The 4 responses opposing rejection of the Proposed Modification reiterated this view, although this proposal was rejected by the Panel at their meeting on 26<sup>th</sup> July 2001.

### **9.4 Consultation on Revised Implementation Date**

Fifteen responses (50 Parties and 1 Party Agent) were received in response to the consultation. Copies of these responses are attached at Annex 1 to this report.

Twelve responses (42 Parties) supported the proposed change to the Implementation Date in principle and the proposed lead time of at least 3 months after the Authority decision. One of these responses (1 Party), which supported the revised Implementation Date, also strongly supported implementation of the original P4 Proposed Modification. One of these responses

(50 Parties also noted that there was continuing dialogue about the validity of the proposed solution and that CP755 seemed to implement the same thing as P4 Alternative.

Two responses (8 Parties) supported the proposed change to the Implementation Date in principle but felt that the lead time after the Authority decision should be longer. One of these responses (5 Parties) felt that the lead time should be at least 6 months so as to allow sufficient time to design test and build the changes. The other response (3 Parties) felt that the lead time should be at least 4 months to allow for resolution of outstanding issues concerning the software design or for participant testing with central systems.

The response from the Party Agent stated that there was no impact

## ANNEX 1 – COPIES OF REPRESENTATIONS

The following submissions were received in response to the consultation on the draft Modification Report.

No	Company	File Number
1.	BP Gas & Power	P4_MR_001
2.	Dynegy	P4_MR_002
3.	InterGen (UK) Ltd (on behalf of Coryton Energy Company Ltd, InterGen Energy Trading and Shipping Ltd, Rocksavage Power Company Ltd and Spalding Energy Company Ltd)	P4_MR_003
4.	TXU Europe Energy Trading Ltd (on behalf of all TXU Europe companies)	P4_MR_004
5.	Powergen UK plc (on behalf of itself and Powergen Energy plc, Diamond Power Generation Limited, Cottam Development Centre Limited)	P4_MR_005
6.	SEEBOARD	P4_MR_006
7.	British Energy plc (for British Energy Power and Energy Trading, British Energy Generation and Eggborough Power Ltd)	P4_MR_007
8.	Scottish & Southern Energy (on behalf of Southern Electric, Scottish and Southern Energy, Keadby Generation Ltd, SSE Energy Supply Ltd)	P4_MR_008
9.	Scottish Power UK plc (on behalf of Scottish Power UK plc, Manweb Plc and Manweb Services Ltd)	P4_MR_009
10.	British Gas Trading	P4_MR_010

### P4\_MR\_001 – BP Gas & Power

Thank you for your kind invitation to pass comment on the P4 Modification Report.

As a member of the P4 modifications group I agree with the recommendations of the Panel.

However I am disappointed that the modification cannot be implemented before 1st June 2002 and I would encourage the Panel to do everything in their power to bring this date forward, in order to enhance market liquidity and competitiveness.

I would like to encourage the Panel to investigate the impact of the modification on market liquidity following implementation.

I believe that the Panel should also respond to the market's enthusiasm for either dual notification, improved "real-time" reporting or both, by recommending that any future market implementations that Ofgem are involved in should include dual notification of positions by market participants in their initial specifications.

Many thanks,

Mark Simons

Business Developer

BP Gas & Power

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**P4\_MR\_002 – Dynegy**  
**Dual energy contract notification P004- Modification Report.**

We do not support the Panel's decision to reject the original proposed modification that is related to the implementation of dual energy contract notification.

Dynegy are disappointed with Elexon's presentation of modification proposal P004: Dual Energy Contract Notification, at the BSC Panel meeting on 26 July 2001. Elexon's presentation did not reflect the modification group's decisions at its last meeting on 11 July 2001. It is unfortunate that the Panel were then asked to make a decision on this modification on the basis of a misleading presentation and as a consequence the content within the draft modification report is incorrect.

Elexon had independently concluded that the modification group's recommendation was that the original dual energy contract notification should not be implemented. However, the alternative modification that involves enhanced reporting should be approved and implemented on the 1 May 2002.

Dynegy's interpretation of the outcome of the modification group's last meeting is rather different and is reflected in Elexon assessment report published 19 July 2001. The modification group believed that the development and operating costs for all the services, i.e. enhanced reporting, web based reporting, increased capacity and dual notification were all rather high prices, taking into consideration the quotes did not include market participant testing and no improvements of the existing service level. It was therefore decided that the market should take the opportunity to attempt to gain value for money and go out to tender.

The group was convinced that genuine competitors were present, as the dual notification system is already in operation within power exchange companies, for example, UKPX, APX and Power Ex. Some of these players had also expressed an interest in providing the service at the meeting. It is important to clarify this was a new, stand alone service, not a bolt on to Logica's systems.

The modification group concluded that their decisions upon now to best implement a dual notification system for the long term would be based on the results of the tender process. There was also a suggestion that if the tender process was successful, depending on the implementation times, then the need for enhanced reporting provided by Logica may not be required.

Dynegy are disappointed with Elexon's interpretation of the group's view. We therefore request that Elexon go back to the modification group and explain the situation concerning the tender process. If it is decided that the tender process is not possible then allow the group to consider Logica's quotation in more detail.

We hope this clarifies the situation and hope that the modification is referred back to the group for the further work that is needed.

Yours sincerely,  
Rekha Patel  
Power Regulatory Analyst

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**P4\_MR\_003 – InterGen**

The view of InterGen (UK) Ltd, representing the BSC parties Coryton Energy Company Ltd, InterGen Energy Trading and Shipping Ltd, Rocksavage Power Company Ltd and Spalding Energy Company Ltd, remains one of strong support for the original dual energy contract volume notification proposal. We

believe that dual notification provides the most effective means of reducing participant risk and hence promoting market liquidity, which has been disappointing since NETA go-live.

As an interim measure InterGen support the Alternative Modification which in our view will improve the efficiency of the current single notification system. InterGen support any development which will facilitate BSC party and ECVNA monitoring of the within day position held by the ECVAAs. As such, the extension of the Forward Contract Report to cover within day periods is welcome, although the benefit would only be fully realised if the report frequency is increased. However, despite the benefits of the Alternative Modification, we firmly believe that only the introduction of dual notification will lead to the improvements in market liquidity necessary for "promoting effective competition".

Yours sincerely,

Richard Dowling

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**P4\_MR\_004 – TXU Europe Energy Trading Ltd  
Modification P4 - Dual Energy Contract Notification**

Thank you for the opportunity to comment on the above modification proposal. TXU Europe Energy Trading Ltd would like to make the following comments on behalf of all TXU Europe companies<sup>1</sup>.

TXU does not support implementation of the alternative proposal, namely enhanced reporting without dual contract notification. In addition, we do not support the recommendation that the dual contract notification modification should be rejected. We believe that enhanced reporting, while providing some of the benefits of dual contract notification, will not fulfil all the requirements necessary to substantially increase liquidity in the within day and day ahead electricity markets.

Indeed, we do not believe that the enhanced reporting elements of the modification should have been the subject of an alternative modification proposal. Enhanced reporting should be an interim step prior to the full solution of dual contract notification. Furthermore we are very disappointed by the decision to recommend rejection of the dual contract notification modification on the grounds of the costs and timescales provided by Logica.

TXU believes that a competitive tender for quotes should be undertaken. Seeking costs from one potential supplier of a service is insufficient to enable a proper cost/benefit analysis to be carried out. Either quotes should have been sought via a tender process, or no costings should have been reviewed at all in order that the parties could judge the modification on its merits and not on the basis of the high costs and long timescales provided by Logica.

Further, we find it extraordinary that the modification group<sup>2</sup> and the BSC Panel should recommend rejecting the modification when the majority of respondents to the two prior consultations have been supportive of dual contract notification.

TXU believes that the dual contract notification should be implemented and that Elexon should go to competitive tender to find a service provider, we believe that there may be several companies who would be able to provide the service at a fraction of the cost and timescale that was quoted by Logica and that the cost may even be less than that of implementing enhanced reporting. TXU also believe

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<sup>1</sup> TXU Europe Energy Trading Ltd; TXU Europe Energy Trading BV; Eastern Electricity; Eastern Energy; Angilan Power Generators; Peterborough Power Ltd; TXU Europe Drakelow Ltd; TXU Europe High Marnham Ltd; TXU Europe Ironbridge Ltd; TXU Europe West Burton Ltd; TXU Europe Merchant Generation Ltd; Citigen; Norweb Energi; Shotton CHP Ltd

<sup>2</sup> whilst recognising that this was not the view of the entire modification group

that there would be minimal costs to participants as many of the existing file formats would remain unchanged, and the option to use a third party agent would remain.

We believe that dual contract notification provides parties with complete assurance that counterparties will not be able to notify erroneous quantities to their energy accounts. This is particularly important to parties without 24/7 operations. Should such erroneous notifications take place, there are provisions within the Grid Trade Master Agreement to reallocate imbalance charges (deemed imbalance charges), however if parties cannot agree the correct volumes this could lead to costly and time consuming legal wranglings.

Dual contract notification is a proven method for notifying traded quantities and has worked extremely well in the gas industry allowing parties to ensure that volumes notified are agreed by both parties prior to settlement.

In addition, the dual contract notification modification sought to introduce real-time screen based reporting to enable parties to see, at a glance, any outstanding, unmatched notifications prior to gate closure. We are not convinced that the enhanced reporting will provide this level of assurance.

TXU believes that dual contract notification would better facilitate the BSC objectives compared to both the current arrangements and the alternative modification. Dual contract notification would provide participants with better security and assurance for prompt trading, and would give all parties the knowledge that erroneous quantities could not be notified to their energy accounts. Such assurances would increase confidence and therefore liquidity in the day ahead and within day markets, thereby promoting effective competition in the generation and supply of electricity by reducing the risks faced by market participants.

As one of the biggest traders of electricity in the UK market, TXU believes that dual contract notification will work to the advantage of the whole market by increasing confidence and bringing more players into the prompt trading markets.

We feel unable to support implementation of enhanced reporting alone as dual contract notification would better facilitate the relevant objectives. We therefore urge Ofgem to implement the dual notification modification with a recommendation to Elexon to go to competitive tender to find a service provider as recommended by the modification group in earlier reports.

We hope you have found our comments useful and should you wish to discuss any aspect of this response further please contact me on the above number.

Yours sincerely

Nicola Lea  
Market Development Analyst

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**P4\_MR\_005 – Powergen UK plc  
Proposed Variation to BSC – Modification Proposal No: 4 – Dual Energy Contract  
Notification.**

Powergen UK plc ('Powergen') welcomes the opportunity to comment on the modification report issued for P4 on the 30<sup>th</sup> July. Powergen provides this response on behalf of itself and the following BSC Parties: Powergen Energy plc, Diamond Power Generation Limited, and Cottam Development Centre Limited.

In response to the modification report Powergen would raise the following points :-

- Powergen endorses the approval of the Alternative modification by the Panel, and the rejection of the original Proposal.
- Powergen agrees that the alternative modification will better facilitate the applicable BSC Objectives.
- Powergen would highlight once again the significant costs that would be associated with the implementation of a Dual Notification system. Given that almost all of the benefits of improved contract notifications can be achieved through simpler, less costly & less disruptive changes to ECVAA reporting & GTMA contracts between counterparties, there is little gain to be made from moving toward a Dual Notification system.
- Powergen view the panel decision of the 26<sup>th</sup> to progress the alternative modification & not the Dual notification proposal as clear guidance of the best way to satisfy the relevant objectives following split opinion in the workgroup and consultation responses in relation to the Dual notification proposal.
- Powergen would seek to progress the alternative modification to the final report stage.

Yours Sincerely  
James Hawkins  
Strategy & Regulation  
Energy Trading  
Powergen  
02476 42 4737.

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#### **P4\_MR\_006 – SEEBOARD**

With respect to this modification we agree with recommendations of the above mentioned report. Given, if this is accepted by industry and the Authority, that a new flow and an amendment to an existing flow will result we would welcome every opportunity to comment on these changes. This consultation should also assist Elexon in determining an agreed implementation date for this enhanced reporting.

Dave Morton  
SEEBOARD  
0190 328 3465

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#### **P4\_MR\_007 – British Energy plc**

British Energy supports the alternative proposal put forward by the Modification Group for new contract notification and volume reallocation notification reporting. We believe this alternative would assist counterparties and agents in verification of the completeness and accuracy of notifications, whilst avoiding the significant development and operational costs associated with more wide-ranging changes to the notification process.

Regards  
Rachel Ace  
For  
British Energy Power and Energy Trading  
British Energy Generation  
Eggborough Power Ltd

**P4\_MR\_008 – Scottish & Southern Energy  
Modification Proposal P4 – Dual Energy Contract Notification**

This response is sent on behalf of Southern Electric, Scottish and Southern Energy, Keadby Generation Ltd and SSE Energy Supply Ltd.

We support the recommendation of the Panel, that the original Modification is rejected and that the Alternative Modification is approved and implemented. We look forward to clarification of the implementation date. We should not have any issues with a date of 1st June 2002.

We have one further comment on the Draft Report. Clarification of the timings associated with the ECVNs is required. At the moment, as far as gate closure is concerned, the ECVN is deemed valid from the ACKNOWLEDGE (unless it is REJECTED later). The time of the new ACCEPTANCE message is, therefore, irrelevant as far as validity is concerned.

However, we can assume that unless an ECVN is REJECTED within 15 minutes, it is deemed to have been accepted. Can it be clarified that this convention will continue.

Regards  
Robert

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**P4\_MR\_009 – Scottish Power UK plc**

Having reviewed the Draft Modification Report for P4, we do not feel able to support the Panel's recommendations that the alternative proposal should be implemented.

While we acknowledge the advantages that implementation of the alternative proposal would produce, we are of the opinion that it would not provide the substantial reductions in risks associated with Volume Notification that the original Modification Proposal would. As indicated during the assessment / consultation stage, our preference is for **centrally hosted dual contract notification**. We would wish to see this run in parallel with single contract notification, although the parallel running could, perhaps, be phased out after an agreed migration period had elapsed.

We do not feel that the reasons for recommending that the original proposal be dropped have been adequately conveyed: although the indicated costs for implementing that proposal are substantial, we do not necessarily consider them prohibitive. It is also unclear whether these costs have been subject to competitive tender or are merely representative of an estimate from the incumbent agent. Perhaps further exploration of this area could be carried out before any decision is taken to abandon this proposal.

I hope that you find these comments to be helpful. If I may be of any further assistance, please do not hesitate to contact me.

Yours Sincerely,  
James Nixon  
On behalf of:  
Scottish Power UK plc, Manweb Plc and Manweb Services Ltd.

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**P4\_MR\_010 – British Gas Trading**  
**Modification Proposal 04: Dual Energy Contract Notification**

Thank you for the opportunity of responding to this modification.

British Gas Trading are disappointed that the panel have not sought third party tenders for implementing Dual Notification.

Although we support the Alternative Modification developed by the Modification Group that provides new Acceptance Feedback Dataflow Reporting and amended Forward Contract Reporting, we believe that Dual Notification would further the relevant objectives and should be re-considered following receipt of additional tenders.

We support the implementation of this Alternative Modification in line with ELEXON BSC Systems Release 2 Project.

Yours faithfully,  
Sarah Grimes  
Commercial Manager

## ANNEX 2 – RESPONSES TO CONSULTATION ON REVISED IMPLEMENTATION DATE

### Responses from P4 Modification Report Implementation Date Consultation

Consultation issued 27 February 2002

Representations were received from the following parties:

No	Company	File Number	No. Parties Represented
1.	Intergen	P4_MR2_001	4
2.	Invensys	P4_MR2_002	N/a
3.	Ennergy-Koch Trading Ltd	P4_MR2_003	1
4.	Edison Mission Energy	P4_MR2_004	1
5.	EdF Trading Ltd	P4_MR2_005	2
6.	GPU Power UK	P4_MR2_006	1
7.	SEEBOARD	P4_MR2_007	2
8.	Scottish & Southern Energy plc	P4_MR2_008	4
9.	ScottishPower UK plc	P4_MR2_009	5
10.	British Gas Trading	P4_MR2_010	1
11.	LE Group	P4_MR2_011	4
12.	British Energy plc	P4_MR2_012	3
13.	RWE Trading Direct Ltd	P4_MR2_013	1
14.	Dynegy	P4_MR2_014	1
15.	TXU Europe	P4_MR2_015	20

**P4\_MR\_001 – Intergen**

On behalf of the BSC parties Coryton Energy Co Ltd, Rocksavage Power Co Ltd, Spalding Energy Co Ltd & InterGen Energy Trading and Shipping; the proposed revision of the implementation date for P4 as described in section 4 of the Elexon memorandum issued on 27/2/02 is acceptable.

Chris Ridgway,  
Commercial Operations Manager  
InterGen (UK) Ltd

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**P4\_MR\_002 – Invensys**

NO IMPACT

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**P4\_MR\_003 – Entergy-Koch Trading Ltd**

Entergy-Koch Trading Ltd believes that the proposed Implementation Date for Modification Proposal P4 proposed in the Modification Proposal P4 consultation paper dated 27 February 2002 is feasible.

Chris Leeds  
Director - Trading Optimisation  
Entergy-Koch Trading Ltd

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**P4\_MR\_004 – Edison Mission Energy**

The proposed implementation date for Modification P4 is feasible for Edison Mission Energy.

Libby Glazebrook  
Edison Mission Energy

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**P4\_MR\_005 – EDF Trading Ltd**

On behalf of EDF Trading Ltd and EDF (Generation) please note our agreement to the proposed 3 month implementation date as described in the recent P4 Consultation.

Steve Drummond

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**P4\_MR2\_006 – GPU Power UK**

Please find that GPU Power UK response to P4 Implementation Date Consultation is 'No Comment'.

Rachael Gardener  
Deregulation Control Group &  
Distribution Support Office  
GPU POWER.NETWORKS (UK) plc

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#### **P4\_MR2\_007 – SEEBOARD**

We can confirm that this implementation date is feasible for SEEBOARD. It is assumed that Ofgem will provide the actual date, to tie up with a BSC Systems release, on their decision document after consultation with Elexon, if they agree with P4 recommendations. It should be noted that this response is only valid for P4 alternative modification.

Dave Morton  
SEEBOARD Energy Limited  
SEEBOARD Power Networks plc

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#### **P4\_MR2\_008 – Scottish & Southern Energy plc**

This response is sent on behalf of Scottish and Southern Energy, Southern Electric, Keadby Generation Ltd. and SSE Energy Supply Ltd.

In relation to the Modification Consultation for proposed Modification P4 contained in your Memorandum of 27th February 2002; we support the suggested BSC Panel recommendation to the Authority that the Alternative Modification Proposal P4, as outlined in your note, should be approved, with an implemented date of not less than 3 months after the date of the Authority's determination.

Regards  
Garth Graham  
Scottish & Southern Energy plc

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#### **P4\_MR2\_009 – ScottishPower UK plc**

With reference to the above, we would wish to support the proposal to revise the implementation date which currently appears in the P4 Modification Report. However, we propose the timescales for implementation should be at least 6 months from the date of the Authority's decision.

We believe this delay has provided the industry a window of opportunity to resolve some 'sub-optimal' design features existed in the previously planned P4 implementation, which we know most parties are not altogether happy with.

We therefore suggest that we should now be allowed to resolve particularly the two following issues relating to the handling of the Acceptance Feedback Report (AFR) before adopting P4 again:

1. The ordering of AFRs being sent out to parties from ECVAAs is not guaranteed to be correct. It is probable that these reports may be loaded out of sequence or that some reports are not loaded, resulting in incorrect or out-of-date contract positions being held by each party. (Elexon circulars 030 and 039 refer).
2. The definition of the '72 period rule' states that an AFR is only to be sent out if the first period of the day the notification starts on is within 36 hours (72 periods) of receipt of the notification at Central Systems. A party will not know with certainty when the notification is going to arrive at CS, especially if they are not the ECVA. Therefore a party could be expecting not to receive an AFR when one arrives, or expect to receive one and it doesn't. Coupled with the sequencing problems in 1 above it means that an AFR could be missed, or, potentially loaded in the wrong order.

We expect a period of six months is likely to be required to design, build and test the changes (including use of the participant testing facility). The reason for this period being longer than the previous estimate is due to the problems in the revised version of the ECVAA systems which have been highlighted by SP and other parties.

I trust that you will find these comments helpful. Nonetheless, should you require further clarification of any of the above, please do not hesitate to contact me.

Man Kwong Liu  
Calanais Ltd.

For and on behalf of: - Scottish Power UK Plc.; ScottishPower Energy Trading Ltd.; Scottish Power Generation Ltd.; Scottish Power Energy Retail Ltd.; SP Transmission Ltd.

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#### **P4\_MR2\_010 – British Gas Trading**

Thank you for the opportunity of responding to the consultation of 27 February 2002 on the implementation date for Modification Proposal 4.

British Gas Trading agree that as the Authority has yet to reach a determination on this modification the implementation date that was originally proposed is no longer tenable. We therefore support the inclusion of the proposed recommendation with regard to the implementation date within the final report. We hope that in future this form of words will be used as standard to avoid a repetition of this problem.

Danielle Lane  
Transportation Analyst  
Centrica

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#### **P4\_MR2\_011 – LE Group**

We are content with the proposed wording for the Recommendation to the Authority, in this revised Modification Report for P4.

This proposal for Enhanced Reporting of Contract Notification has majority support and is seen as better facilitating the Applicable Objectives of the BSC. We therefore take this opportunity to express our disappointment that the Authority has introduced such a delay in giving its decision. We would urge that the Panel presses the Authority for an early approval of P4.

Liz Anderson  
General Manager, Energy Strategy & Regulation  
LE Group

This response is made on behalf of the following BSC Parties:  
London Electricity plc, SWEB Ltd, Jade Power Generation Ltd and Sutton Bridge Power Ltd.

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#### **P4\_MR2\_012 – British Energy plc**

British Energy support the proposal for implementation of P4 Alternative Modification "on the release date for BSC Systems which first occurs not less than 3 months after the date of the Authority's determination", noting that implementation is subject to Authority approval, and that the notice period may not be sufficient for all technical issues to be resolved and testing with central systems to be completed.

In supporting a lead time no less than 3 months, we note that the development period quoted by at least one third party software provider is 3 months. Therefore a lead time of 3 months would not allow for resolution of outstanding issues concerning the software design (eg. message order identification) or for participant testing with central systems. A lead time of 4 months would allow time for testing. An implementation decision towards the end of March 2002 would be required to ensure participants are ready and full testing has occurred in time for the planned system release in August 2002.

Rachel Ace  
for  
British Energy Power & Energy Trading Ltd  
British Energy Generation Ltd  
Eggborough Power Ltd

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#### **P4\_MR2\_013 – RWE Trading Direct Ltd**

I am responding on behalf of RWE Trading Direct Limited. On the assumption that you are referring to the enhanced report and not to the dual notification, RWE believes that the proposed implementation date is feasible in terms of putting in place our own systems subsequent to any authority decision to approve P4.

Sarah Lodge  
Change Manager  
RWE Trading Direct Limited

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#### **P4\_MR2\_014 – Dynegy**

While Dynegy maintains that alternative modification P04, enhanced reporting, does not achieve the same goals as dual energy contract notification, Dynegy asserts that the alternative modification P04 should be implemented as soon as possible, with an expedient Authority decision. The issue of dual notification and any issues surrounding this, such as enhanced reporting, are vital to the efficient functioning of the industry and merit swift implementation.

Dynegy would also like to reiterate the importance of dual notification in the UK electricity markets. In the year since modification P04 was originally raised, the value of a dual notification system has been accentuated. In the original consultation, the majority of market participants supported dual notification as it would facilitate within-day trading and increase market liquidity, while minimising any disputes and associated legal costs.

The demise of Enron served to further highlight the necessity of dual notification. In the weeks that the position of Enron in the market was unclear, market participants experienced a great deal of uncertainty in their traded positions. Many participants doubted Enron's ability to fulfil its Energy Contract Volume Notification Agent (ECVNA) role in submitting agreed volume notifications to the

Energy Contract Volume Aggregation Agent (ECVAA). Market participants faced substantial potential liabilities through inaccurate notifications or non-notifications that could have resulted in large exposures to imbalance cash out prices. While the Grid Trade Master Agreement (GTMA) makes provisions to reduce liability faced by market participants through erroneous notifications, the Enron situation questioned the ability to reclaim the imbalance liabilities from a party facing bankruptcy.

Given the importance of dual notification, Dynegy is disappointed that a decision on such a vital industry concern has been delayed and emphasises a quick decision by the authority along with the quickest possible implementation.

Sarah Maud  
Power Regulatory Analyst

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#### **P4\_MR2\_015 – TXU Europe**

We agree with the proposed drafting of a revised Implementation Date - namely at least 3 months after the Authority decision (and possibly longer depending on when the relevant planned BSC Systems Release takes place).

Whilst on the subject of P4 we note that there is continuing dialogue between Elexon and ourselves as to the validity of the proposed "solution" and we also note that CP755(?) raised by Powergen seems to want to implement the same thing as P4 Alternative through a different route (we do not necessarily object to this but are a bit mystified, if this is correct, why we do not just ask the Authority to reject P4 and do what was agreed through a CP anyway ?)

Philip Russell  
For and on behalf of 20 TXU BSC Parties