

P236: Compensation Claims for MVRN Parties arising from an Outage

[Section Q8 of the BSC](#) allows for a Party to claim compensation for losses incurred as a result of an Outage.

P236 seeks to amend the Q8 claims process so that where the affected BM Unit is subject to a Meter Volume Reallocation Notification, the Trading Charges and Avoidable Costs of both the Lead Party and the Subsidiary Party or Parties are considered.



Modification Group initially recommends **Approval** of Proposed Modification P236



Impacts: **Transmission Company, Generators and Parties** who enter into percentage-based Metered Volume Reallocations with Generators

Contents

1	Summary	3
2	Why Change?	4
3	Solution	5
4	Impacts & Costs	7
5	Implementation	7
6	The Case for Change	8
7	Further Information	8
	Attachment A : Detailed Assessment.	8
	Attachment B : Consultation Questionnaire.	8

About this document:

The purpose of this Assessment Consultation is to obtain views or further evidence from BSC Parties, and other interested parties, on matters discussed in this document. The P236 Modification Group will then discuss the consultation responses before making its recommendation to the Panel in July 2009

There are 3 parts to this document. This is Part 1. It outlines the solution, impacts, costs, benefits and the potential implementation approach for this change.

Part 2 (Attachment A) explains how the Group's discussions led it to its chosen solution and the initial recommendations in this report.

Part 3 (Attachment B) is the Assessment Consultation Questions response form. This form includes questions the Group have asked Parties to answer so the assessment of P236 can be completed.

Why Change?

Currently the Q8 claims process prevents Lead Parties from claiming for Trading Charges and Avoidable Costs incurred by Subsidiary Parties where an MVRN is in place.

Solution

Amend Section Q8 of the BSC, so that the 'Trading Charges and Avoidable Costs' of both the Lead and Subsidiary Party are considered by the Q8 claims committee.

Impacts & Costs

We believe that the impacts of the P236 solution would be minimal. There are no system impacts. However, Parties may have to update their internal processes.

The estimated implementation cost is £770 (3.5 man days of effort).

Implementation

P236 will be implemented 5 Working Days after an Authority Decision has been received.

The Case for Change

The Modification Group believe that P236 will provide equitable treatment for Parties who are subject to an MVRN. It will also ensure Parties are not exposed to Imbalanced costs through no fault of their own.

Recommendations

The Modification Group recommend P236 be **APPROVED**.

Introduction

Physical Notifications (PNs) are notifications sent by Parties to the Transmission Company to show the expected level of energy they will be adding to, or removing from, the Transmission System.

In the event of an Outage, Parties are unable to update their PNs. This can result in financial losses for Parties. For example, if a Party's contractual position changed after submitting a PN, it would mean the amount of the energy they import or export will differ from their last submitted PN. During an Outage, a Party would be unable to update their PN to reflect their new contractual position. Since, under the Grid Code a Party is obligated to meet its last PN, the Party will not meet its contracted position and as a result will incur Trading Charges.

However, the BSC allows Parties to claim compensation for such losses. The Outage compensation claims process is detailed in section Q of the BSC and is commonly referred to as the 'Q8 Claims process'.

What can be claimed?

Section Q states that following an outage compensation period, any Lead Party of a BM Unit (i.e. the Party registered to the BM Unit) that considers it has suffered material loss can claim. Lead Parties can claim compensation for losses incurred on:

- Trading Charges – typically this is the sum of the Imbalance costs and the Residual Cashflow Reallocation Cashflow (RCRC); and
- Avoidable Costs - costs that could be avoided if an Outage did not occur.

However, the Q8 claims process does not take into account costs where Lead Parties enter into a Metered Volume Reallocation Notification (MVRN).

Metered Volume Reallocation Notifications

MVRNs allow Lead Parties to allocate a percentage of their BM Unit's energy or a fixed volume of energy into the Energy Account of another Trading Party. This Trading Party is known as a Subsidiary Party.

When a MVRN is in place Subsidiary Parties take responsibility for the Trading Charges associated with the Energy volumes allocated to their account, as well as any associated liabilities under the BSC including Imbalance Costs.

The issue

As set out above, Section Q states that only a Lead Party can claim for compensation if there is an impact on their Trading Charges and Avoidable Costs. Under these rules Subsidiary Parties cannot claim. Neither can Lead Parties claim on behalf of Subsidiary Parties.

Where a MVRN is in place, the situation is created that:

1. the Lead Party cannot claim for any Trading Charges related to the Energy Volumes used in the MVRN as it has not incurred any losses; and



What is an Outage?

A period where Lead Parties cannot submit PNs or Bid-Offer data because the Transmission Company's communication services have failed or withdrawn. Section Q 1.2.1 (c)



Outage Compensation Period

Not every Outage is eligible for compensation. Claims can only be made for an 'Outage Compensation Period'.

This is where National Grid has given less than 12 hours notice prior to the start of the Outage or the Outage lasts longer than 2 hours.

2. the Subsidiary Party, although potentially incurring losses in relation to the Metered Volumes, cannot claim as it is not registered to the respective BM unit.

P236 seeks to amend the Q8 claims process so that, where the affected BM Unit is subject to MVRNs, the Trading Charges and Avoidable Costs of both the Lead Party and the Subsidiary Party or Parties are considered.

3 Solution

Significant Changes?

The P236 solution will not make significant changes to the current Q8 claims process.

Currently, the Lead Party must submit a claim within 10 Business days after an outage compensation period. The claim includes an explanation of how the Lead Party believes they have suffered loss, along with any supporting evidence. The Q8 committee then consider the claim, requesting further information from the impacted Party, BSCCo or Transmission Company if required. The Q8 committee not only take into account the financial impact on Trading Charges and Avoidable Costs, but if the Lead Party acted reasonably in submitting its original Notifications. Any compensation awarded is paid to the Lead Party.

P236 will not alter this process. It will however widen the remit of what the Q8 committee can consider as part of a claim and what a Lead Party can claim for.

How will it do this?

P236 will amend the Q8 claims process so that, where the affected BM Unit is subject to MVRNs, the Trading Charges and Avoidable Costs of both the Lead Party and the Subsidiary Party or Parties are considered by the Q8 claims committee.

This will not enable Subsidiary Parties to individually claim using the Q8 process. But it allows the Lead Party to have such financial loss considered by the Q8 committee as part of their claim.

To assist the Q8 committee with such a claim a letter of support from the impacted Subsidiary Party/Parties would be required. This is to highlight to the Q8 committee that the Subsidiary Party is aware of the claim and its contents.

Where a BM Unit is subject to an MVRN and the Lead Party makes a claim, the Lead Party will also be required to submit details of all MVRNs associated with the BM Unit(s). These details include:

- Details of the MVRN i.e. the % of energy or fixed volume being transferred;
- The name of the Energy Account the energy is being transferred to; and
- The name of the Trading Party (Subsidiary Party).

As with the current claims process, any compensation will be issued to the Lead Party. How that compensation is divided is subject to individual bi-lateral contracts between the Lead and Subsidiary Parties.

If the Lead Party does not produce letters of support from the impacted Subsidiary Party/Parties then the Q8 committee will not consider the claim. It should be noted that the Subsidiary party does not have to agree or fully support the claim of the Lead Party, but acknowledge that the Lead Party is claiming the costs. The Q8 committee will take this into account during the claim hearing.

The Modification Group did not develop an Alternative Modification.

P236 Q8 claims process

The Q8 claims process under P236 is detailed below. The current process is shown in black text, with the P236 amendments **highlighted**.

1. Within 10 Business Days of an outage compensation period the Lead Party submits a claim where it, **or where a MVRN is in place any Subsidiary Party/Parties**, has/have incurred a net financial loss on Trading Charges or Avoidable Costs;
2. The claim must be accompanied by a statement and explanation of loss that has been incurred. **Where there is an impact on a Subsidiary Party, the Lead Party must include details of all MVRNs in place on their BM Unit(s).**
3. **In advance of the Q8 committee meeting the Lead Party must produce letters of support from the impacted Subsidiary Party/Parties to support any submitted claim.**
4. **ELEXON provides analysis of the impact on Trading Charges and Avoidable Costs and presents a summary to the Q8 Committee.**
5. The Q8 committee review the claim of the Lead Party. The committee take into account the financial impact on Trading Charges and Avoidable Costs of the Lead Party, **and any impacted Subsidiary Party/Parties**. They also consider if the Lead Party acted reasonably in submitting its original Notifications. Any compensation is awarded directly to the Lead Party.
6. Where appropriate, the Q8 committee can request for further information from the Lead Party, Subsidiary Party, BSCCo or Transmission Company during its evaluation of the compensation claim.
7. If the claim is upheld, the Lead Party will receive the compensation amount. Where the committee believes it to be justifiable, it can instruct a different compensation amount.

Details of how the Group came to this solution is included in Section 2 of Attachment A.

4 Impacts & Costs

We believe that the impacts of the P236 solution would be minimal. There are no BSC system impacts. However, Parties may have to update their internal processes.

We do not anticipate that there will be a significant increase in BSCCo workload as a result of administering the revised claims process.

The estimated implementation cost is £770 (3.5 man days of effort).

5 Implementation

The proposed implementation date is **5 Working Days** after an Authority Decision is received.

6 The Case for Change



Recommendation

Modification Group recommends approval of the Proposed Modification P236

The view of the Modification Group was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC Objectives (c) and (d) when compared to the current BSC baseline. The arguments made in support were as follows:

Applicable BSC Objective (c)

P236 would promote effective competition as:

- Parties would not be exposed to Imbalance costs which are caused by no fault of their own.
- Including 'Subsidiary costs' in the Q8 claims process means all Parties are treated equally.
- The intended consequences of MVRNs can be fully delivered to all Parties impacted during an outage.
- Could reduce the potential for Parties to game within the market as the impacts of the Subsidiary Party would be taken into account if, for example, the Lead Party has made a loss in relation to Avoidable Costs and the Subsidiary Party has gained Trading Charges.

Applicable BSC Objective (d)

P236 would promote efficiency in the implementation of the balancing and settlement arrangements as:

- Removing uncertainty of what Parties can and cannot claim for helps the efficiency of the Q8 committee and removes the risk of escalation, or litigation, should a Party wish to claim for Subsidiary Party costs.

Details on how the Modification Group came to these conclusions can be found in Section 2 of Attachment A.

7 Further Information

More information is available in

Attachment **A**: Detailed Assessment.

This information includes:

- Modification Group Terms of Reference
- Modification Group discussions
- Impacts and costs
- Process followed for P236

Attachment **B**: Consultation Questionnaire.

P236

Assessment Consultation

02 June 2009

Version 1.0

Page 8 of 8

© ELEXON Limited 2009