

Draft MODIFICATION REPORT for Modification Proposal P227 **'Extension of the Definition of ECVAAs System '**

Prepared by: ELEXON¹ on behalf of the BSC Panel

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This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.²

Proposed Modification P227 seeks to ensure that Parties have the ability to resubmit contract notifications as a result of a failure of the centrally provided communications network. The solution proposes to introduce the concept of a 'Notification System Incident' to describe the circumstance when the centrally provided communications network³ fails.

No Alternative Modification has been developed.

BSC PANEL'S RECOMMENDATIONS

Having considered and taken into due account the contents of the P227 draft Modification Report, the BSC Panel recommends:

- **that Proposed Modification P227 should be made;**
- **an Implementation Date for Proposed Modification P227 to be 5 Working Days after an Authority Decision; and**
- **the proposed text for modifying the Code, as set out in the Modification Report.**

¹ ELEXON Ltd fulfils the role of the Balancing and Settlement Code Company ('BSCCo').

² The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>

³ The centrally provided communications network extends from the participant router to the router at the Central Systems, but does not include a loss of power to the participant router.

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SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as Modification Group has been able to assess, the following parties/documents would be impacted by P227.

Please note that this table represents a summary of the full impact assessment results contained in Appendix 4.

Parties	Sections of the BSC	Code Subsidiary Documents
Distribution System Operators <input type="checkbox"/>	A <input type="checkbox"/>	BSC Procedures <input type="checkbox"/>
Generators <input checked="" type="checkbox"/>	B <input type="checkbox"/>	Codes of Practice <input type="checkbox"/>
Interconnectors <input checked="" type="checkbox"/>	C <input type="checkbox"/>	BSC Service Descriptions <input checked="" type="checkbox"/>
Licence Exemptable Generators <input type="checkbox"/>	D <input type="checkbox"/>	Party Service Lines <input type="checkbox"/>
Non-Physical Traders <input checked="" type="checkbox"/>	E <input type="checkbox"/>	Data Catalogues <input type="checkbox"/>
Suppliers <input checked="" type="checkbox"/>	F <input type="checkbox"/>	Communication Requirements Documents <input checked="" type="checkbox"/>
Transmission Company <input type="checkbox"/>	G <input type="checkbox"/>	Reporting Catalogue <input type="checkbox"/>
Party Agents	H <input type="checkbox"/>	Core Industry Documents
Data Aggregators <input type="checkbox"/>	I <input type="checkbox"/>	Ancillary Services Agreement <input type="checkbox"/>
Data Collectors <input type="checkbox"/>	J <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
Meter Administrators <input type="checkbox"/>	K <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
Meter Operator Agents <input type="checkbox"/>	L <input type="checkbox"/>	Distribution Code <input type="checkbox"/>
ECVNA <input checked="" type="checkbox"/>	M <input type="checkbox"/>	Distribution Connection and Use of System Agreement <input type="checkbox"/>
MVRNA <input checked="" type="checkbox"/>	N <input type="checkbox"/>	Grid Code <input type="checkbox"/>
BSC Agents	O <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
SAA <input type="checkbox"/>	P <input checked="" type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
FAA <input type="checkbox"/>	Q <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	R <input type="checkbox"/>	BSCCo
ECVAA <input checked="" type="checkbox"/>	S <input type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
CDCA <input type="checkbox"/>	T <input type="checkbox"/>	BSC Panel/Panel Committees
TAA <input type="checkbox"/>	U <input type="checkbox"/>	Working Practices <input type="checkbox"/>
CRA <input type="checkbox"/>	V <input type="checkbox"/>	Other
SVAA <input type="checkbox"/>	W <input type="checkbox"/>	Market Index Data Provider <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	X <input checked="" type="checkbox"/>	Market Index Definition Statement <input type="checkbox"/>
BSC Auditor <input type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
Profile Administrator <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
Certification Agent <input type="checkbox"/>		
Other Agents		
Supplier Meter Registration Agent <input type="checkbox"/>		
Unmetered Supplies Operator <input type="checkbox"/>		
Data Transfer Service Provider <input type="checkbox"/>		

1 DESCRIPTION OF MODIFICATION

This section outlines the solution for the Proposed Modification, developed by the P227 Modification Group ('the Group') during the Assessment Procedure.

For a full description of the original Modification Proposal as submitted by APX Commodities ('the Proposer'), and the background to the proposal, please refer to the [P227 Initial Written Assessment](#).

This section sets out the issue identified with the current arrangements and a summary of the P227 solution. For a full description of the solution, please refer to the [First Consultation Document](#).

Purpose of P227

P227 seeks to allow for Parties to resubmit notifications as a result of a failure of the centrally provided communications network. P227 would do this by introducing the concept of a 'Notification Failure' to describe the circumstance when the centrally provided communications network fails. Parties would then be able to utilise the same provisions that currently exist in the Code for contract resubmission resulting from an ECVA System Failure.

Issue with Current Arrangements

The current ECVA System Boundary for the High Grade and Low Grade Services extends only as far as the router on the BSC Central Systems site. In the event of a communications failure beyond the current ECVA System Boundary that prevents contract notifications being made, participants do not have recovery provisions.

The inability to successfully send and receive confirmation of notifications could result in Parties being in energy imbalance and hence could have a significant effect on imbalance charges, despite the fact that they may have been balanced if the communications failure had not occurred.

The Proposer notes that such inconsistent treatment means that a Party has a mechanism to prevent any charges that arise in the event of an ECVA system failure, yet would be exposed to imbalance charges in the event of a central communications failure.

P227 Solution

The solution proposes to introduce the concept of a 'Notification System Incident' to describe the circumstance when the centrally provided communications network fails.

Figure 1.1 below illustrates that the High Grade communications arrangements consist of three elements, they are the participants (red), the CVA Communications Infrastructure (blue) and the BSC central system (green). Currently, the CVA Communications Infrastructure and BSC central system are procured by ELEXON, i.e. Parties are not responsible for any failure in these systems.

Under the current arrangement, Parties have the permission to resubmit contract notifications if they cannot submit notifications due to a failure in the central system, which is known as an ECVA System Failure. In order to address the defect raised by P227, the proposed solution would ensure Parties have the ability to resubmit in the event of a Notification System Incident.

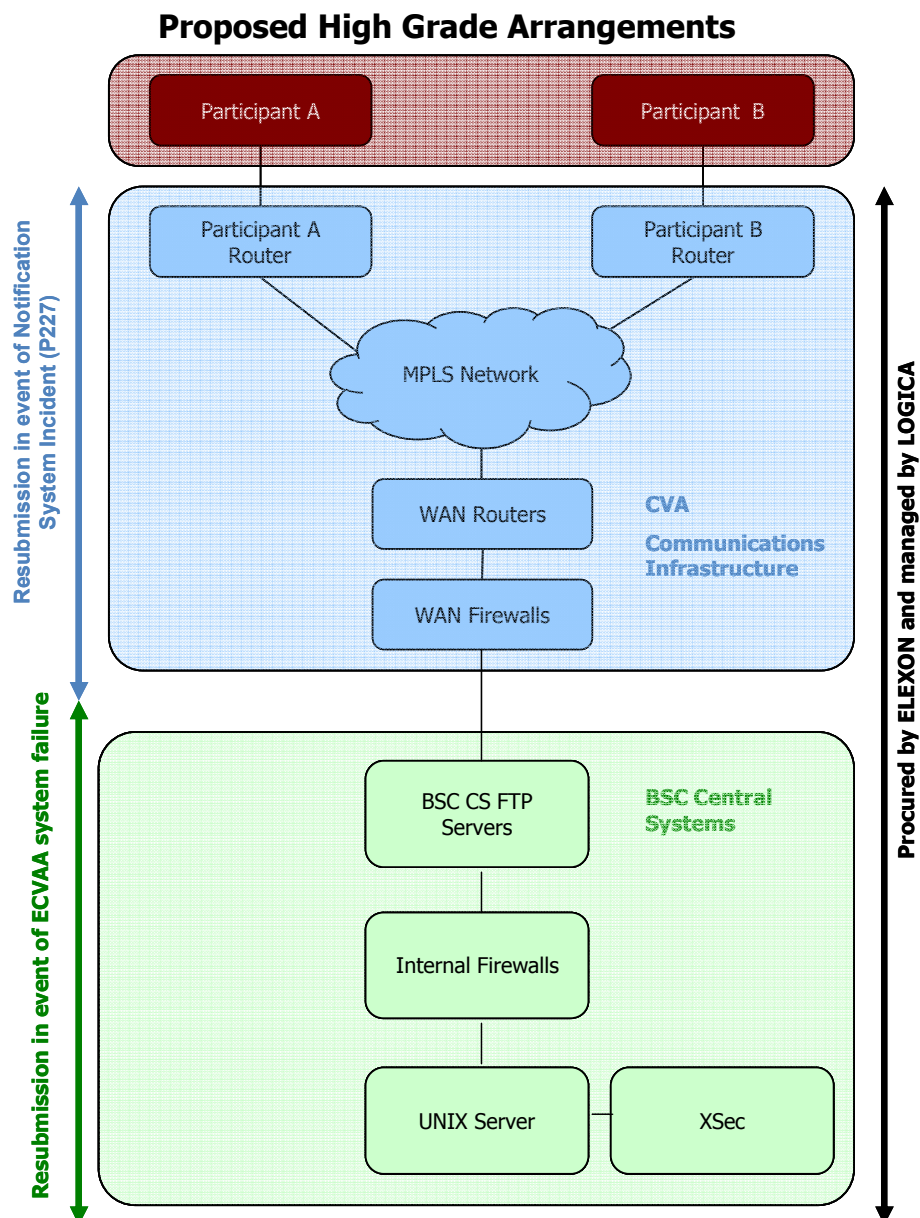


Fig 1.1 Proposed High Grade Arrangements

In the event of a communication failure (i.e. a 'Notification System Incident') ELEXON will notify the industry. Parties will then have the ability to resubmit contracts using the same process currently used for ECVA System failures.

If Parties believe there has been a communications failure that ELEXON has not notified the industry of, Parties would have 1 Working Day to notify ELEXON. ELEXON will investigate and confirm to industry if such a failure occurred. Subject to ELEXON confirmation, Parties will then have the ability to resubmit contracts using the same process currently used for ECVA System failures

Legal Text and Communications Requirement Document

In order to make sure that the solution of P227 is robust for both current and future communications arrangement, the definition of 'Party System Boundary' has been amended so that the definition itself falls in the Communications Requirement Document (CRD). This would provide greater flexibility and allow future boundary definition changes in the communications arrangements without the need for another Modification.

After the Panel Meeting, ELEXON noted some additional minor changes (mostly to accord with Code style). ELEXON have therefore made these changes accordingly:

- A reference to 'Volume Notification Agents' (rather than just 'Notification Agent') in Section P5.1.1(f) (i);
- An update on the reference number to 5.2.1 which should actually be to 5.2.2 in Section P5.2.4 (a); and
- A few minor corrections such as replacing semi-colon with full stop and replacing commas with semi-colons in some sections.

Letter from Ofgem

During the First Consultation Procedure, Ofgem wrote to the BSC Panel Chairman (please refer to Attachment 6 of the [Assessment Report](#)), setting out a number of questions that it wished the Group to examine to allow Ofgem to fully consider P227. The Group did additional work to examine the impacts of a P227 type solution on the different communications service boundary definitions. An independent analysis was carried out to examine the best practice and level of choice of the communications service. The Group's conclusions have been summarised in section 3.2 of the [Assessment Report](#) and the detailed analysis can be found in Appendix 4 of the [First Consultation Document](#).

At the March Panel Meeting, Ofgem thanked the Group for their work and noted that the Assessment Report had set out answers to the Ofgem questions.

2 COSTS AND BENEFITS

Implementation Costs

The Panel noted:

- the impact assessments from industry determined no implementation cost for Parties; and
- the BSC Agent would invest £1,800 (one-off cost) to install additional monitoring software on Low Grade and £3,249 per year for ongoing operational costs for administering the P227 arrangements.

Benefits

The Panel agree with the Modification Group that the benefit of P227 is to prevent Parties from avoiding Imbalance Charges in the event of a Notification System Incident.

P227 would reduce the additional burden on System Operator (SO) to take actions to balance the system. The analysis conducted by the Group identified that, based on the real historical data from a week in winter, Parties could avoid £80,000 on imbalance charges and SO could avoid £51,000 to balance the system if a communications failure occurred 30 minutes before the Gate Closure. These costs are indicative but they highlight the possible financial impact on Parties and SO in the case of a communications failure.

3 RATIONALE FOR MODIFICATION GROUP'S RECOMMENDATIONS TO THE PANEL

This section summarises the recommendations of the Modification Group, as detailed in the Assessment Report (Appendix 3 to this document).

3.1 Applicable BSC Objectives

The **UNANIMOUS** view of the Modification Group was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable Objectives (b) and (c) and **WOULD NOT** better facilitate the

achievement of Applicable BSC Objective (d) when compared to the current Code baseline, for the following reasons:

The Group established the following benefits against the Applicable BSC Objectives arise from P227:

- During a communications failure, Parties may be unable to submit notifications, so they may choose not to contract going forward, passing responsibility for balancing onto the System Operator. The ability to resubmit reduces the burden and therefore allows more efficient operation of the transmission system (Objective b).
- The inability to submit notifications arising from the communications failure means Parties are exposed to imbalance charges and therefore increase costs (through no fault of their own). The ability to resubmit under P227 removes the additional cost burden, better facilitating new entry and competition (Objective c).

However the Group established the following dis-benefit against the Applicable Objectives:

- The increased activity that will be undertaken by ELEXON and the BSC Agent in processing and investigating failures means that the processes are marginally less efficient (Objective d).

Overall the Group felt the benefits, particularly under competition, outweighed the concerns over efficiency.

3.2 Implementation Date

The Modification Group recommended the implementation date for P227 to be 5 Working Days (WDs) after the Authority Decision.

A Group member stated that they disagreed in principle with having open ended decision dates. However there is no material reason why an open ended date should not be used and the Group concluded that 5WDs from the Authority decision was appropriate for this specific change.

3.3 Legal Text

The Modification Group reviewed the text and agreed that it delivers the solution developed by the Group. In the draft Legal Text, the definition of 'party system boundary' falls within the Communications Requirements Document (CRD). The Modification Group's concluded that, in order to provide greater flexibility and allow future boundary definition changes (i.e. in the event that communications services are provided differently) without the need for another Modification.

If the boundary of responsibility for communications is changed in future, the definition for the boundary of responsibility will be amended in the Communications Requirements Document. The P227 solution is therefore robust to any future changes in the provision of communications by allowing for the definition of 'centrally provided communication network' to be revised.

4 RATIONALE FOR PANEL'S RECOMMENDATIONS TO THE AUTHORITY

4.1 Panel's Consideration of Assessment Report

The Panel considered the P227 Assessment Report at its meeting on 12 March 2009. This section summarises the Panel's discussions.

4.1.1 Assessment Procedure Consultation Responses

The Panel noted the responses received to the two P227 Assessment Procedure consultations, including the unanimous industry support for P227. The Panel also noted the result of an independent analysis report, undertaken to support the assessment of P227.

One Panel member noted in the materiality and benefits section of the [Assessment Report](#) (Section 1), the quoted costs of '£51K' for System Operator and '80K' for Parties (as Imbalance Charges) are not a direct saving that P227 will make. P227 will mean these costs can be avoided. In reality, the System Operator does not have the ability to know what will happen instantaneously and why Parties are not balanced, they just balance the system in a real-time. However, the data does quantify how much the industry could avoid in the case of a communications failure.

The Panel did not comment specifically on any individual consultation responses. Panel Members' overall initial views regarding P227 can be found in Section 5.1.3 below.

The Panel noticed one respondent's suggestion for a minor revision to the Draft Legal text during the second consultation. ELEXON confirmed that the Group had agreed to make the amendment for the version of the legal text sent to the Panel.

The Panel noted the Modification Group's views that:

- having P227 does not mean Parties have the licence to claim the ability to resubmit. It is subjected to ELEXON's confirmation whether a Notification System Incident has occurred or not. ELEXON only confirmed 2 such communications failures in the past 8 years;
- there would always be a central element (that is centrally provided and procured) in the communications service; and
- having the boundary definition in the CRD would ensure the solution is robust for current and future arrangements.

4.1.2 Ofgem's Observation

Ofgem was satisfied with the response and agreed that the questions had been answered in the report although it was uncertain as to whether it was sufficient to address Ofgem's belief that Parties being able to competitively procure communications services was likely to be the better model. This reflected one of their principle competition tenets and although not necessarily directly relevant to P227, would likely affect the outcome of the proposal until the question had been addressed.

Ofgem had no further comments but it wished to understand whether the arrangements for communications services would be reconsidered in future to ensure the appropriate model was in place. ELEXON's reply was that the ideal opportunity would have been under Project Isis. ELEXON agreed that they would consult on the model for communications services with industry in advance of any future procurement of the central systems.

4.1.3 Applicable BSC Objectives

a) Proposed Modification

The unanimous provisional view of the Panel was that the Proposed Modification would better facilitate the achievement of Applicable BSC Objectives (b) and (c) when compared to the current Code baseline, for the following reasons:

Applicable BSC Objective (b)

During a communications failure, Parties may be unable to submit notifications, so they may choose not to contract going forward, passing responsibility for balancing onto the System Operator. The ability to resubmit reduces the burden and therefore allows more efficient operation of the transmission system.

The System Operator analysis (Appendix 6 of the [First Consultation Document](#)) supported the view that there would be a financial benefit under Applicable BSC Objective (b).

Applicable BSC Objective (c)

The Panel agreed with the Modification Group's view that P227 would better facilitate (c) for the reason that the inability to submit notifications arising from the communications failure means Parties are exposed to imbalance charges and therefore increase costs (though no fault of their own). The ability to resubmit under P227 removes the additional cost burden, better facilitating new entry and competition.

The Panel agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objective (a).

The Panel also noted ELEXON may need to spend more time on investigation and confirmation of whether a communications failure occurred or not. This would marginally decrease the efficiency and would not better facilitate Applicable BSC Objective (d).

In conclusion, the Panel agreed with the Modification Group's view that: overall the marginal decrease in efficiency would be outweighed by the benefits under (b) and (c).

b) Provisional recommendation to the Authority

The Panel therefore agreed a unanimous provisional recommendation to the Authority that the Proposed Modification **should** be made.

4.1.4 Implementation Date

The Panel agreed with the Modification Group's recommendation regarding the Implementation Date to be 5 Working Days after the Authority Decision. The Panel noted in order to provide additional assurance on the Low Grade service, the BSC Agent may need to install new software to periodically check whether the communications between BSC central system and Parties are still working properly. It is predicted that the installation process may take longer than 5 WDs to implement. However, the Modification Group felt that this additional assurance would be beneficial but it does not necessarily be in place on the implementation date of P227. The Panel agreed that the benefit to industry comes from having the P227 provisions in place, and agreed to implement P227 5WDs after the Authority Decision.

4.1.5 Legal Text

The Panel noted that after the second consultation, one respondent suggested some rewording for the Draft Legal Text. The Panel reviewed the updated version and agree that it addresses the defect identified by the Modification Proposal. After the March Panel Meeting, when preparing the Draft Report, ELEXON noticed a few more inconsistencies (mostly to accord with Code style) in the Draft Legal Text. The Legal Text therefore has been amended accordingly and the Panel will be invited to have a final review on the Legal Text during the Report Phase.

4.2 Results of Report Phase Consultation

To be completed after this consultation

4.3 Panel's Consideration of Draft Modification Report

To be completed after this consultation

4.4 Panel's Final Recommendation to the Authority

To be completed after this consultation

5 TERMS USED IN THIS DOCUMENT

Other acronyms and defined terms take the meanings defined in Section X of the Code.

Acronym/Term	Definition
ECVAA	Energy Contract Volume Aggregation Agent
CRD	Communications Requirements Document
SO	System Operator
HG	High Grade
WD	Working Day

6 DOCUMENT CONTROL

6.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	13/03/09	Bu-Ke Qian	David Jones	For technical review
0.2	17/03/09		BSC Parties and other interested parties	For consultation
0.3	dd/mm/yy			For technical review
0.4	dd/mm/yy			For quality review
0.5	dd/mm/yy	Change Delivery	BSC Panel	For Panel decision
1.0	dd/mm/yy	BSC Panel		For Authority decision

6.2 References

Ref.	Document Title	Owner	Issue Date	Version
1	P227 Modification Proposal	N/A	24/09/2008	1.0
2	P227 IWA	ELEXON	03/10/2008	1.0
3	P227 Requirement Spec & Consultation	ELEXON	03/11/2008	1.0
4	Ofgem Letter to BSC Panel	N/A	13/11/2008	2.0
5	P227 Second Consultation	ELEXON	04/02/2009	1.0
6	P227 Assessment Report	ELEXON	28/02/2009	1.0

APPENDIX 1: LEGAL TEXT

Draft legal text for the Proposed Modification is attached as a separate document, Attachment 1.

The Redlined text for Communications Requirements Document is attached as Attachment 2.

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the BSC Website at: [P227](#)

Date	Event
24/09/08	Modification Proposal raised by APX
09/10/08	IWA presented to the Panel
13/10/08	First Assessment Procedure Modification Group meeting held
20/10/08	Second Assessment Procedure Modification Group meeting held
21/10/08	Joint Consultation & Requirements Specification issued for BSC Agent/Party/Party Agent/BSCCo impact assessments Request for Transmission Company analysis issued
14/11/08	Consultation and Impact Assessment responses due
19/11/08	Third Assessment Procedure Modification Group meeting held
08/12/08	Forth Assessment Procedure Modification Group meeting held
26/01/09	Fifth Assessment Procedure Modification Group meeting held
04/02/09	Second Consultation issued for BSC Agent/Party/Party Agent/BSCCo impact assessments
17/02/09	Second Consultation responses due
19/02/09	Sixth Assessment Procedure Modification Group meeting held
12/03/09	Assessment Report presented to the Panel
17/03/09	Draft Report issued for industry consultation
31/03/09	Report Phase consultation responses returned
09/04/09	Draft Modification Report presented to the Panel
14/05/09	Final Modification Report issued to the Authority for decision

ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL⁴

Meeting Cost	£3,000
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⁴ Clarification of the meanings of the cost terms in this appendix can be found on the BSC Website at the following link:
http://www.elexon.co.uk/documents/Change_and_Implementation/Modifications_Process_-_Related_Documents/Clarification_of_Costs_in_Modification_Procedure_Reports.pdf

Legal/Expert Cost	£12 K (independent analysis)
Impact Assessment Cost	£ 0
ELEXON Resource	131 man days £28 K

The above costs have not changed from those provided in the Assessment Report.

APPENDIX 3: ASSESSMENT REPORT

The P227 Assessment Report is attached as a separate document, Attachment 3.

The Assessment Report includes:

- The conclusions of the Modification Group regarding the areas set out in the P227 Terms of Reference;
- Details of the Group's membership;
- The full results of the Assessment Procedure impact assessment; and
- Full copies of all responses to the Assessment Procedure consultation.

APPENDIX 4: RESULTS OF IMPACT ASSESSMENT

Please refer to Section 8 of the [P227 Requirement Spec & Consultation](#)

APPENDIX 5: REPORT PHASE CONSULTATION RESPONSES

To be completed after this consultation