

REQUIREMENTS SPECIFICATION & ASSESSMENT CONSULTATION for Modification Proposal P227

'Extension Of The Definition Of ECVAA Systems to include the centrally provided communications network'

Prepared by: P227 Modification Group

For attention of: BSC Parties and other interested parties
Responses due: **12PM on 14 November 2008**
(to: modification.consultations@elexon.co.uk)

Date of Issue:	31 October 2008	Document Reference:	P227AC
Reason for Issue:	For Consultation	Version Number:	1.0

This document has been distributed in accordance with Section F2.1.10 of the Balancing and Settlement Code.¹

Proposed Modification P227 seeks to ensure that Parties have the ability to resubmit contracts 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 network fails.

IMPACT ASSESSMENT/PURPOSE OF CONSULTATION

This consultation seeks respondents' views regarding P227 and, in particular:

- Does the Proposed Modification better facilitate the achievement of the Applicable BSC Objectives?²;
- Do you agree with the definition of the boundary for responsibility of a Communications failure?;
- What are the impacts on your systems and processes and associated costs for you to implement P227?;
- Have you been materially affected by a Communications Failure?;
- Should be a fixed time limit on ELEXON to confirm if there was a Communications Failure?;
- Should Parties have a maximum of 1 Working Day to notify ELEXON that they believe a communications failure has occurred?;
- Do you agree that P227 should not seek to address or anticipate the need for further competition in the provision of communication services?;
- Do you agree that P227 should not seek to address the issue of inability to submit notifications during planned outages?;
- Do you agree with the suggested Implementation Date and legal text?; and
- Are any alternative solutions that the Modification Group has not identified?

¹ The current version of the Code can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>.

² A copy of the Applicable BSC Objectives is provided in Appendix 1.

You are invited to provide a response to the questions contained in the attached pro-forma.

Please send responses, entitled 'P227 Assessment Procedure Consultation', by **12:00** on **Friday 14 November 2008** to the following e-mail address: modification.consultations@elexon.co.uk.

Any queries should be addressed to Bu-Ke Qian (020 7380 4146), e-mail address bu-ke.qian@elexon.co.uk.

CONTENTS TABLE

Summary of Impacted Parties and Documents	4
1 P227 Summary.....	5
2 Description of Modification.....	6
2.1 The current status	6
2.2 What would change?.....	9
3 Impact on Participants	10
3.1 Impact on BSC Parties.....	10
3.2 Impact on ECVAA	10
3.3 Impact on Notifications	11
4 Benefits and Costs	11
5 Implementation date & Legal text	12
6 Related Operational Matters.....	12
7 'Sunset Clause'	13
8 Estimated Impact of Modification on Systems, Processes and Documentation..	15
9 Assessment of Modification Against Applicable BSC Objectives	16
10 Terms Used in this Document.....	16
11 Document Control.....	17
11.1 Authorities.....	17
11.2 References	17
Appendix 1: Applicable BSC Objectives	18
Appendix 2: Process Followed	18
Appendix 3: Estimated Costs of Progressing Modification Proposal	19
Appendix 4: Modification Group Member	19
Appendix 5: Modification Group Terms of Reference	20
Appendix 6: Data Analysis	21

Intellectual Property Rights, Copyright and Disclaimer

The copyright and other intellectual property rights in this document are vested in ELEXON or appear with the consent of the copyright owner. These materials are made available for you for the purposes of your participation in the electricity industry. If you have an interest in the electricity industry, you may view, download, copy, distribute, modify, transmit, publish, sell or create derivative works (in whatever format) from this document or in other cases use for personal academic or other non-commercial purposes. All copyright and other proprietary notices contained in the document must be retained on any copy you make.

All other rights of the copyright owner not expressly dealt with above are reserved.

No representation, warranty or guarantee is made that the information in this document is accurate or complete. While care is taken in the collection and provision of this information, ELEXON Limited shall not be liable for any errors, omissions, misstatements or mistakes in any information or damages resulting from the use of this information or action taken in reliance on it.

SUMMARY OF IMPACTED PARTIES AND DOCUMENTS

As far as the 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 in Appendix 3.

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		
Data Aggregators <input type="checkbox"/>	H <input type="checkbox"/>	Core Industry Documents
Data Collectors <input type="checkbox"/>	I <input type="checkbox"/>	Ancillary Services Agreement <input type="checkbox"/>
Meter Administrators <input type="checkbox"/>	J <input type="checkbox"/>	British Grid Systems Agreement <input type="checkbox"/>
Meter Operator Agents <input type="checkbox"/>	K <input type="checkbox"/>	Data Transfer Services Agreement <input type="checkbox"/>
ECVNA <input checked="" type="checkbox"/>	L <input type="checkbox"/>	Distribution Code <input type="checkbox"/>
MVRNA <input checked="" type="checkbox"/>	M <input type="checkbox"/>	Distribution Connection and Use of System Agreement <input type="checkbox"/>
BSC Agents		
SAA <input type="checkbox"/>	N <input type="checkbox"/>	Grid Code <input type="checkbox"/>
FAA <input type="checkbox"/>	O <input type="checkbox"/>	Master Registration Agreement <input type="checkbox"/>
BMRA <input type="checkbox"/>	P <input checked="" type="checkbox"/>	Supplemental Agreements <input type="checkbox"/>
ECVAA <input checked="" type="checkbox"/>	Q <input type="checkbox"/>	Use of Interconnector Agreement <input type="checkbox"/>
CDCA <input type="checkbox"/>	R <input type="checkbox"/>	BSCCo
TAA <input type="checkbox"/>	S <input type="checkbox"/>	Internal Working Procedures <input checked="" type="checkbox"/>
CRA <input type="checkbox"/>	T <input type="checkbox"/>	BSC Panel/Panel Committees
SVAA <input type="checkbox"/>	U <input type="checkbox"/>	Working Practices <input type="checkbox"/>
Teleswitch Agent <input type="checkbox"/>	V <input type="checkbox"/>	Other
BSC Auditor <input type="checkbox"/>	W <input type="checkbox"/>	Market Index Data Provider <input type="checkbox"/>
Profile Administrator <input type="checkbox"/>	X <input checked="" type="checkbox"/>	Market Index Definition Statement <input type="checkbox"/>
Certification Agent <input type="checkbox"/>		System Operator-Transmission Owner Code <input type="checkbox"/>
Other Agents		
Supplier Meter Registration Agent <input type="checkbox"/>		Transmission Licence <input type="checkbox"/>
Unmetered Supplies Operator <input type="checkbox"/>		
Data Transfer Service Provider <input type="checkbox"/>		

1 P227 SUMMARY

Solution

P227 seeks to ensure that Parties have the ability to resubmit contracts 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 network fails.

ELEXON will notify the industry in the event of a communication failure. Parties have 1 Working Day (WD) to notify ELEXON if they believe there is a communications failure. ELEXON will investigate and confirm to industry if such a failure occurred. Parties will then have the ability to resubmit contracts using the same process currently used for ECVAAs System failures.

Does P227 better facilitate the BSC Objectives?

The Group established the following arguments against the Applicable BSC Objectives arising from P227:

Currently, there is a risk that Parties may be unable to submit notifications due to a communications failure outside of their control. In such circumstances, they may have less incentive to contract going forward. This passes greater responsibility for balancing onto the System Operator (SO). The ability to resubmit notification in these circumstances would remove this perverse incentive, thereby reducing the burden on the SO and allowing 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 greater imbalance risk for events in which they cannot control. The ability to resubmit notifications in these circumstances would remove the additional risk. This improves competition by better aligning Party risk with the elements they can control. Additionally, this facilitates new entry by providing fair, logical and interpretable arrangements that increase market confidence (Objective c).

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.

Costs

- It is not believed that there would be significant costs on the Parties, notification agents, ELEXON or the BSC Systems as there are no changes required to those systems. It is anticipated that working processes may need to be updated/revised;
- The Group noted the BSC Agent may need to provide extra monitoring on the Low Grade Service to assist in identification of communication failures.

Materiality & Benefits

Parties would be able to submit a contract notification if a communications failure occurs (beyond their control). The Group believes in principle that this change should be made.

P1 and 'Sunset Clause'

P227 is modelled on Alternative Modification P1. The P1 Group and BSC Panel recommended P1 be approved, however, the Authority rejected P1 as it did not include any provision for the ability of Parties to provide their own communication services to connect to Central systems. As a minimum, the Authority felt the change should include a Sunset Clause by when competition could be introduced and the ability to resubmit would be rescinded.

The P227 Group has carefully considered the P1 letter and concluded that **they do not believe P227 should seek to address the issue of competition in communication services** because:

- P227 is focused on allowing Parties to resubmit notifications that were unable to be submitted due to failures of communications under the current arrangements;
- If a Party or Ofgem believes competition is necessary in any area of the BSC arrangements they may use the current change mechanisms to effect such a change;
- The requirements and services for the Central Systems have been agreed with industry and competitively procured through the ISIS consultation and procurement exercise;
- The current Central Systems solution is believed to be the most effective and efficient for industry; and
- The Group believe that sunset clauses create unnecessary uncertainty for the industry.

2 DESCRIPTION OF MODIFICATION

This section outlines the solution for the Proposed Modification as developed by the Modification Group.

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

2.1 The current status

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 System Incident to describe the circumstance when the centrally provided communications network fails.

Under the current arrangements, if the ECVAAs experiences a System Failure, a recovery procedure exists that allows participants to submit/re-submit contract notifications to the ECVAAs, post Gate Closure, for the affected Settlement Periods.

Communications with ECVAAs Systems

Participants have a choice of two network communications options to support data communication in both directions between participant systems and BSC Central Systems, these are known as the High Grade Service and Low Grade Service.

The **High Grade Service** transmits communications from the router at the participant's site via dedicated telecommunications facilities to the router at the BSC Central Systems Site (see Figure 1). Upon application by a participant for the provision of the High Grade Service to ELEXON the BSC Agent provides the participant with a router at its site which connects to the participant's network infrastructure and communications lines. The participant is responsible for its connection to its router.

The **Low Grade Service** (see Figure 2) transmits communications from the router on the participant's site via the public Internet to the Internet Portal for the BSC Central Systems Internet Service Provider. Communications received by the Internet Service Provider are then transmitted to the router on the BSC Central Systems site. Participants are responsible for providing their own links into the Internet.

The current ECVAA 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 ECVAA 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 a central system failure, yet would be exposed to imbalance charges in the event of a communications failure.

New High Grade ECVAA (excl. ECVAA Web)

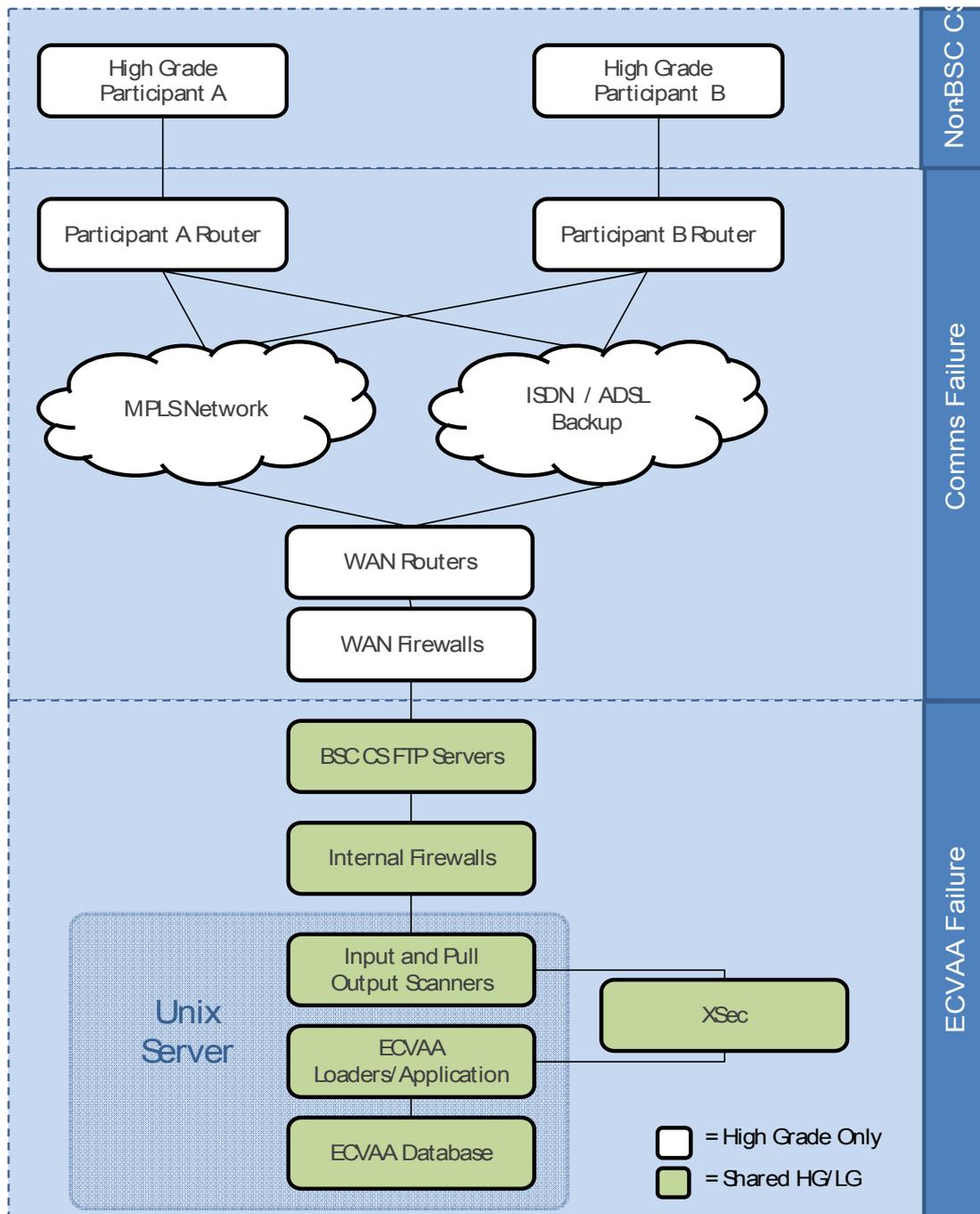


Figure 1 – Communications via the High Grade Service

Existing Low Grade ECVAE (excl. ECVAE Web)

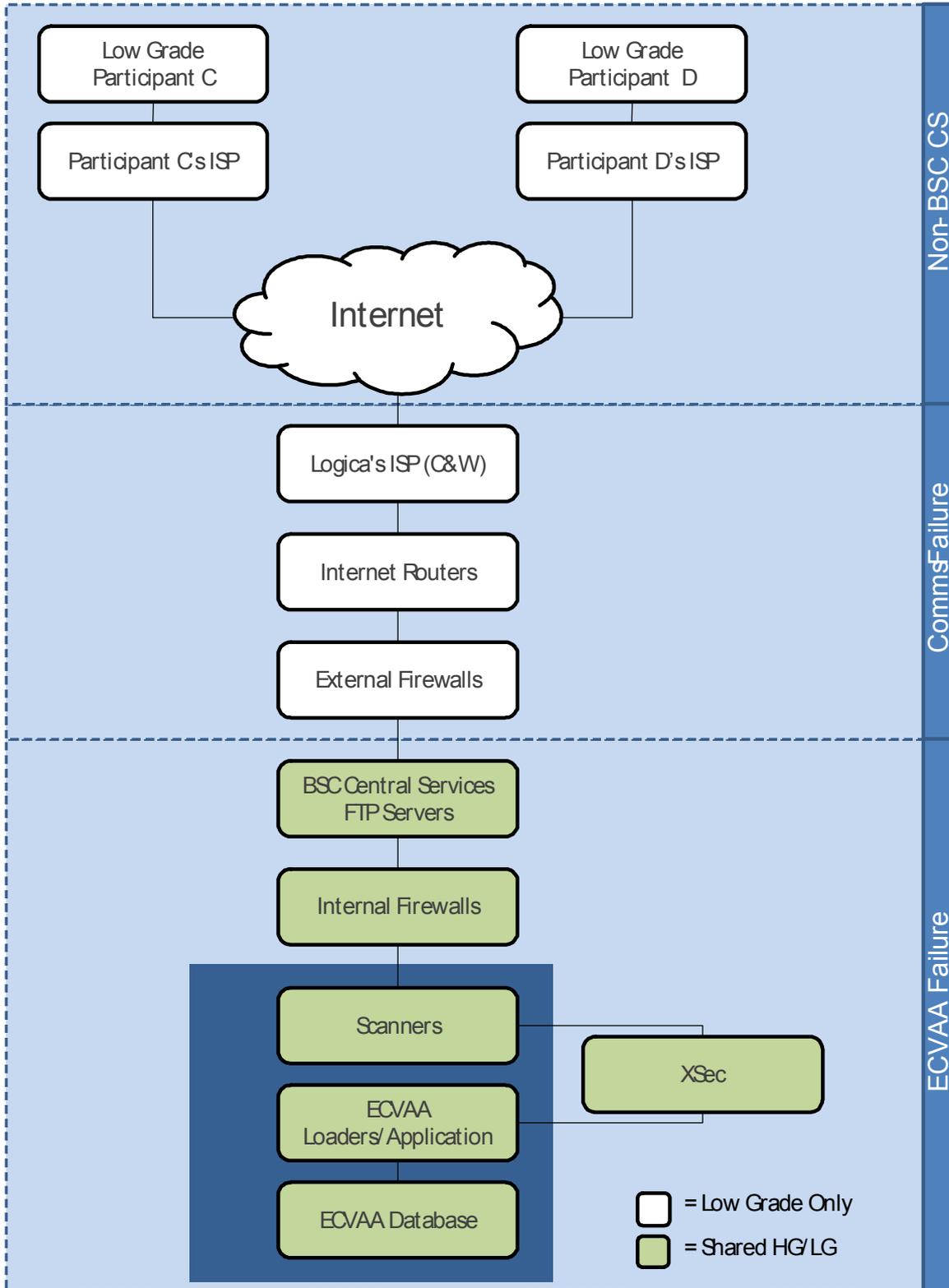


Figure 2 -- Communications via the Low Grade Service

2.2 What would change?

Response Required: Participants are required to confirm if they agree that the resubmission process should mirror that process used for ECVAA System failures. Participants are also asked to confirm that Parties should have 1WD to notify ELEXON if they believe there is a Communications Failure.

Communication Failure

The Proposer suggested developing a definition for the revised boundary of the ECVAA system from the one detailed as part of Alternative Modification P1 as follows: "the definition of the ECVAA system would be redefined as the boundary for the High Grade Service to include the router at the participant site but not any source of power for the router. The Party System Boundary for the Low Grade Service would be redefined to include the Internet interface of the Internet Portal by which the ECVAA System is connected to the Internet."

After consideration, the group agreed to introduce the concept of a 'Notification Failure' to describe the situation when there is a failure in the centrally provided system, rather than extending the boundary of the existing ECVAA System Failure. This would avoid the potential need to revise the terms of the agreement with the BSC Central Service Agent in relation to the ECVAA System and Communications Services.

Resubmission Process

The Group concluded that there should be no need to change the resubmission process and P227 should use the process that is currently used when an ECVAA system failure occurs. This process is set out in Section P5.2 of the Code and is enhanced by ELEXON's working procedures. The process is (and therefore would be as follows):

1. ELEXON is made aware of a Failure either by:
 - The BSC Central Services note a failure through their monitoring; or
 - A Party notices a problem and informs either ELEXON or Logica.
- 2a. If the BSC Central Services Agent notes a failure, it will be investigated to determine whether it lies within any Code defined criteria for a failure. Once the cause and specific details of the failure are confirmed, the Agent will notify ELEXON.
- 2b. If an issue is raised by a Party then the BSC Central Services Agent will investigate and inform ELEXON of the cause and specific details.
3. ELEXON will then make a decision on whether a Failure should be declared.
4. If a Failure is declared, ELEXON will send out a Circular to inform the industry. This email will contain the following details:
 - If this failure affected many or a single notification agent;
 - The start and end times of the failure;
 - The re-submission deadline (this must be at least end of the working day after the ECVAA has notified the BSCCo of the failure, though it may be longer should BSCCo choose to extend it); and
 - A notice to all notification Agents that intend to submit must confirm that they would have been able to submit if not for the ECVAA failure.
5. Once a re-submission is received ELEXON will verify whether the data appears to be correct, and will confer with the BSC Central Services Agent to confirm.
6. ELEXON may ask for further proof to accompany the re-submission, for example, the timestamped files from the Party (if available).
7. Once ELEXON has made a decision on whether to approve the files, they will inform the Party.

- 8a. If ELEXON does not believe the re-submissions are valid, they will explain the reasons to the Party.
- 8b. If ELEXON deems the data to be valid then it will be entered into Settlement before the II run.

Additional considerations for 'Communications Failures'

A Communications Failure will either be identified by ELEXON (via the BSC Agent), or if a Party believes there was a Communications Failure, they have until the end of the next WD from the point of the (perceived) failure to notify ELEXON, who will then investigate.

ELEXON will investigate whether a communications failure has occurred. If ELEXON cannot find any evidence to claim there is a Communications Failure, Parties will be asked to provide such evidence.

The Group are concerned that it might take longer for ELEXON to identify and confirm a communications failure than identifying an ECVAA failure, since the central system failure is easier to be determined. It was not felt that there should be a fixed time for investigation, however it was suggested that the issue should be resolved for the Initial Settlement Run.

The Group also noticed that to assist in the monitoring and identification of failures the BSC Agent would seek to invest in monitoring software to provide assurance on the Low Grade Service. The cost is considered to be low. They would implement a monitoring server which would perform Quality Assurance Services on the Low Grade service by simulating normal participant transactions, recording the results, and alerting if the results are different from those defined/required. In the case of the Low Grade BMRA Web service the monitoring server would make HTTP requests to pages which would not be cached and would guarantee data returned from the database. In the case of Low Grade FTP, the monitoring server would log into the server using a new "participant -like" account, send a file, receive a file and log out, and would expect successful responses to all of these operations. These tests would be carried out through two independent ISPs. Finally, failure of these tests would only be used as a confirmation of a potential problem already reported. In all cases further investigation would be required to ascertain the full cause of the problem.

3 IMPACT ON PARTICIPANTS

Response Required: Parties, notification agents and ECVAA are requested to respond, using the attached consultation pro-forma, to indicate what the impacts are (if any) on their systems and processes (and state any associated costs and timescales for those changes).

3.1 Impact on BSC Parties

BSC Parties will need to consider the impact on extending their processes to include resubmission in the event of a broader definition of system 'failure'. BSC Contract Trading Parties would be positively impacted by the change as by allowing Notifications to be resubmitted in the event of a communications failure, the Parties' exposure to imbalance charges that would have occurred under the current arrangements would be reduced.

3.2 Impact on ECVAA

Consideration as to whether any changes to the contractual terms are required. Contract Notification Agents (EVCNAs and MVRNAs) would be allowed to resubmit notifications in a wider range of circumstances. However, once a failure occurs, the resubmission process itself would be the same as per the current arrangements, so no substantial changes to agents' systems or processes should be required.

3.3 Impact on Notifications

The ECVAAs would be required to receive notification resubmissions in a wider range of circumstances, and may need to develop new processes to monitor the status of the communications system and validate any reported failures. Once a failure is positively identified, the ECVAAs' current processes for handling the resubmissions would remain the same.

4 BENEFITS AND COSTS

Response Required: Parties are requested to confirm if they agree with the conclusions of the Group regarding the potential impacts of a communication failure. Parties are also asked to confirm if they believe they have been materially impacted as a result of their inability to submit notifications due to a communication failure (any associated volumes or resultant charges should be provided and can be marked as confidential).

It is clear that the risk to Parties' arising from a communication failure depends on whether the Party uses the High Grade Service or only notifies through the Low Grade Service. This is because a failure of the High Grade Service would allow Parties to alternatively use the Low Grade Service to notify, however a failure of the Low Grade Service means that those Parties who do not use High Grade cannot submit notifications.

Confirmed Communication Failures since March 2001

The number of confirmed instances of a communications failure since March 2001 is low. There have been 7 failures of the Low Grade Service and 2 failures of the High Grade Service. ELEXON are unaware of any confirmed instances when both were unavailable.

Table 1 in Appendix 6 shows the date on which the failures occurred as well as the periods of outage. The outage periods vary from few minutes to 12 hours for the Low Grade service, with the last failure occurring in October 2003. The high Grade communications have failed twice, once in 2003 and more recently in September 2008. The risk a Party bears is that a prolonged communications failure would expose them to Imbalance charges for Settlement Periods immediately following the failure if they needed to contract to balance in the short term. Trades struck on the Power Exchange are therefore likely to be affected.

Data provided for P212

The Group felt it would be beneficial to provide an illustrative example to show the potential volumes that could be affected, in the event of a prolonged communications failure. It was noted that under P212 a number of examples were provided showing the timing and volumes of trades on the Power Exchange.

Figure 3 in Appendix 6 shows the total volume of trades (in MWh) that were made in March 2007 against the time (before the start of the Settlement Period) in which those trades were made. The trend of the graph illustrates that more than 50% of the volume were traded within 4 hours before the Settlement Period and therefore highlights the potential risk to Parties of a prolonged communication failure.

ECVAAs Data for 14-20 December 2007

The Group noted that the main risk of a communications failure is not being able to notify for Settlement Periods in the immediate future. That is for those periods in which you will not be able to submit notifications once the failure has been resolved. It would be expected that any communications failure would be resolved in the medium term.

Therefore, the Group analysed one week in December 2007 to establish the potential impact that a communication failure could have on the market if Parties could not submit notifications. The Group analysed the volumes that were submitted between 14 and 20 December 2007 **and** contained volumes for the first Settlement Periods allowed for (i.e. immediately after the 1 hour of Gate Closure). The data shows only notifications submitted in the last 30 minutes prior to Gate Closure that affected Settlement Periods from 1 hour after Gate Closure. E.g. For the 14:00 Gate closure it includes notifications made between

13:30 and 14:00, for the Settlement Periods starting at 15:00. These volumes can be seen in Figure 4 of Appendix 6.

The inability to submit notifications could cause Parties to pay Imbalance Charges if they were short or be paid Imbalance Charges if they were long. As indicated by Figure 5 in Appendix 6, the average Settlement Period Imbalance Charge over the week varies between £1,211 and £80,819 for short Parties. The average Settlement Period receipt for long Parties would be between £1,010 and £34,199. This indicates that the material impact of not being able to submit notifications varies depending on the Settlement Periods in which a communication failure would occur. Additionally, it highlights that the impact can be significant – especially if the failure was for an extended length of time over the peak.

If you assume this is typical of the volume and number of notifications for a winter peak then the peak value of the Absolute Sum of Volume traded and notified can be observed around 15:00 everyday. Therefore a greater risk would apply for Parties if the outage is immediately prior to that peak hour (at 13:30 for example). The maximum volume associated with the data shown is 1,511MWh for one Settlement Period. If during this time, Parties were unable to submit notifications, the financial value of the 1,511MWh at the prevailing System Buy and System Sell Prices would be £58,223 paid by the Parties that are short and £46,838 paid to the Parties that are long. This highlights the financial implications of not being able to trade in that one Settlement Period. Given Parties enter a trade where it benefits both Parties, this represents an example of the potential inefficiency in the market from not being able to submit notifications for this Settlement Period in that final 30 minutes before Gate Closure.

Figure 6 in Appendix 6 shows the Average Net Imbalance charge, which is the overall charge to the market. It ranges from £261 to £46,620 over a week for each Settlement Period.

Figure 7 in Appendix 6 shows the number of ECVNAs that submit notifications per Settlement Period during the week beginning 14 December. The number of ECVNAs affected across the Settlement Periods ranges from 1 to 6. In the event of a Communications Failure and Parties were not able to submit notifications, the average Imbalance Charge per ECVNA per Settlement Period would be £5,568 (Party to pay) and £2,719 (Party to be paid). Therefore, even if the communications failure only impacted one Party, this could lead to significant imbalance risks.

Additionally it is believed that participants may have been affected by communication failures in the past and participants are invited to respond to this consultation highlighting whether they believe they have been materially affected (plus any volumes or charges associated with such a failure).

5 IMPLEMENTATION DATE & LEGAL TEXT

Response Required: Parties are requested to confirm if they agree that the implementation date should be the 5WDs after an authority decision as well as to confirm if they agree with the Drafted Legal Text.

The Group agreed that P227 should be implemented 5WDs after an 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.

The Group produced Draft Legal Text in which is included as Attachment 2.

6 RELATED OPERATIONAL MATTERS

Response Required: Parties are requested to confirm if they agree that the related operational matter should not be addressed in P227.

In January 2006 ELEXON noted in a paper to the Imbalance Settlement Group (ISG) that it may be possible to introduce a generic 'manual resubmission processes' for notifications. It was noted that such a provision

could be allowed in certain circumstances. For example, as well as failure of the communications network this process could mitigate against risk for Parties during a BSC Systems Planned Outage.

Prior to a Planned Outage, Parties are requested to submit all notifications for the outage period which are processed by ECVA. Should any plant fail during the Planned Outage a Generator would have a significant risk of exposure to Imbalance due to the fact that there is no method of electronic data submission into the ECVA System to adjust their contracted position until the end of outage. However, with a manual resubmission process Parties would be able to correct their contracted positions even in a Planned Outage period.

The P227 Group believes that this Modification is seeking to address the issue of a communications failure and not any matters related to planned outages. Any solution to address planned outages may vary from that required for communication failures. There is a risk that in seeking to address other operational matters could jeopardise the success of the Modification and the issue it specifically seeks to address. A Party may raise a separate Modification if it believes there is a defect regarding submission of notifications during a planned outage.

7 'SUNSET CLAUSE'

Response Required: Parties are requested to confirm if they believe P227 that should not seek to address the issue of competition in communication services.

P1 Decision letter

In its P1 Decision Letter in 2002, Ofgem recognised that under the terms of the current agreement between ELEXON and the BSC Agent it may be difficult to open the Communication Services up to competition. Ofgem considered that the most desirable solution would be to renegotiate the terms of the agreement to enable participants to mitigate the risks associated with contract notification as they see appropriate, through providing their own communication service provider. Ofgem noted that competition could be introduced into the relevant parts of the Communications Services when the contract for provision of BSC Agent services was re-procured (Ofgem noted this could be 1 April 2006). The letter noted that this could be done 'if ELEXON and market participants consider renegotiating the terms of the agreement with the NETA Central Service Agent in relation to the Communications Services would better facilitate the achievement of the applicable BSC Objectives'.

Ofgem were sympathetic to extending the ability to resubmit notifications as an interim measure but did not do so as P1 did not contain a 'sunset' provision that anticipated the introduction of competition.

P227 Group's consideration of the P1 decision letter

The Group is aware that Ofgem may be of the view that the circumstances have not changed since 2002 and may still believe competition in the provision of communication services is appropriate.

The Group does not believe that this Modification should be seeking to address the issue of whether or not there should be competition in this particular area of the BSC arrangements. The Group believes that there are mechanisms available to Parties and Ofgem to effect change in this area if there is a belief that the arrangements are inefficient or defective.

However the Group felt it prudent to carefully consider wording and issues raised in the P1 decision letter.

It has been several years since P1 was discussed and the industry has contributed to and overseen a competitive procurement of the Central systems required to deliver the current BSC arrangements for the period up to April 2014.

In the paragraphs following 'Ofgem's view' in the P1 decision letter, Ofgem make a number of points:

Risk of Notification Failure

In developing NETA, Ofgem and DTI considered that the risk of 'notification failure' should be borne by Parties through their own contractual arrangements with notification agents.

The P227 Group noted that neither P1 nor P227 remove the responsibility for risk of 'notification failure' as notification agents remain responsible for their own systems and consequences of their failure.

Determination of approach to risk management

Ofgem stated that participants should determine their own approach to risk management and develop systems accordingly.

The P227 Group believe participants have determined that the best approach to managing the risk of communication failure is through including the communications network as part of the centrally procured systems required to deliver the BSC arrangements. No Party or Ofgem have suggested that a different approach is required in the intervening six years since P1. The industry and Ofgem were consulted upon the nature of the central systems that were competitively re-procured under project ISIS ([ISIS Consultation](#)) and no suggestion was made that a new approach to delivery of communications with the Central systems was appropriate.

Is 'competition' in this area economic and efficient?

Ofgem stated that competition should be introduced for communication services 'where it is economic and efficient' to do so.

The P227 Group believe the current arrangements for provision of communications networks into the central systems is economic, efficient and competitive. The central systems and communications have been competitively procured. Under ELEXON's ISIS Project, participants have new telecommunications options available to them to tailor the type of service they wish to receive based on their anticipated usage, level of assurance required and budget. The participants will therefore choose and pay for the service they desire provided by a competitively procured service provider.

The Group believed that the introduction of multiple service providers for communications into the central systems will increase costs to Parties (and therefore consumers). Each individual Party would incur the cost of a procurement exercise of a single communications line and it is unlikely that they (and particularly smaller Parties) would have the buying power to achieve the best deal. The central systems will need to be changed to accommodate multiple service providers and communication solutions and it is likely to increase the timescale and administration of securing connections to the central systems.

Will competition in communication services better facilitate the applicable BSC objectives?

Ofgem suggests that 'competition' could be introduced if ELEXON and participants believe that renegotiating the terms of the agreement with the BSC Agent better facilitates the applicable BSC objectives.

The Group reiterated that it believes the arrangements are competitive and the industry has overseen a renegotiation of the agreements that deliver the BSC arrangements through a competitive procurement. It is also noted that if a Party believes there to be a defect in this area they can follow the appropriate change mechanism which will be tested against the applicable objectives. Finally, the Group noted that, whilst they don't believe there will be any detriment to competition in communication services, any such perception would have to be shown to exceed the benefits identified by the Group.

Introduction of a Sunset Clause in P227

Ofgem rejected P1 primarily as there was no sunset clause that anticipated the introduction of competition. The P227 Group does not believe P227 should contain a sunset clause as it does not believe it is necessary to deliver a solution for the defect that P227 seeks to address. The Group reiterates that any Party who perceives a defect in the arrangements relating to competition should progress a specific change that would allow for consideration of that matter and development of a solution that could be tested against the applicable objectives.

The Group expressed a concern that sunset clauses increase uncertainty for the industry and are therefore not desirable.

8 ESTIMATED IMPACT OF MODIFICATION ON SYSTEMS, PROCESSES AND DOCUMENTATION

Response Required: Parties are requested to confirm if they believe there will be any other relevant impacts on systems, processes and documentation.

Please note these impacts are indicative, as this consultation seeks to identify all the relevant impacts.

a) Impact on BSC Systems and Processes

BSC System / Process	Potential Impact of Proposed Modification
Service Delivery	Management of Operational Issues arising from Communications failures.

b) Impact on BSC Agent Contractual Arrangements

BSC Agent Contract	Potential Impact of Proposed Modification
BSC Services Agreement - (ECVAA)	Consideration as to whether any changes to the contractual terms are required.

c) Impact on BSC Parties and Party Agents

BSC Parties, ECVNAs and MVRNAs will need to consider the impacts on extending their processes to include resubmission in the event of a broader definition of system 'failure'.

d) Impact on Transmission Company

None expected.

e) Impact on BSCCo

Area of Business	Potential Impact of Proposed Modification
Central Services Operations	Amendments to operational working processes.
Change Implementation Team	Documentation changes will be done by the Release Team for the Implementation
Corporate Assurance	Implementation Support
Disputes	Potential for increase in Dispute activity depending on definition of 'system' boundary.

f) Impact on Code

Code Section	Potential Impact of Proposed Modification
Section P	Impact on Section P5 describing the nature and consequences of an Notification Failure
Section X	New definition of 'Notification System'.

g) Impact on Code Subsidiary Documents

Document	Potential Impact of Proposed Modification
ECVAA Service Description	Impact on actions to be taken in the event of a communications failure.

Document	Potential Impact of Proposed Modification
Communications Requirement Document	Removal of the definition of the boundary of the High Grade Service and putting this into the Code.

h) Impact on Core Industry Documents and Other Documents

No impact.

i) Impact on Other Configurable Items

Document	Potential Impact of Proposed Modification
ECVAA URS	Impact on lower-level system requirements for managing communications failure and submission of notifications.

j) Impact on BSCo Memorandum and Articles of Association

No impact.

k) Impact on Governance and Regulatory Framework

No impact.

9 ASSESSMENT OF MODIFICATION AGAINST APPLICABLE BSC OBJECTIVES

This section outlines the initial views of the Modification Group regarding the merits of P227 against the Applicable BSC Objectives. The Applicable BSC Objectives are included in Appendix 1.

The initial **UNANIMOUS** view of the Modification Group was that the Proposed Modification **WOULD** better facilitate the achievement of Applicable BSC 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:

Applicable BSC Objectives

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

- The Group agreed that the Proposed Modification would have a neutral impact on Applicable BSC Objective (a).
- During a communications failure, Parties may be unable to submit notifications, so they may choose not 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 (though no fault of their own). The ability to resubmit under P227 removes the additional cost burden, better facilitating new entry and competition (Objective c).
- 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.

10 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
ECVNA	Energy Contract Volume Notification Agent
MVRNA	Meter Volume Reallocation Notification Agent
SO	System Operator
WD	Working Day

11 DOCUMENT CONTROL

11.1 Authorities

Version	Date	Author	Reviewer	Reason for Review
0.1	23/10/08	Bu-Ke Qian	David Jones	For technical review
0.2	24/10/08	Bu-Ke Qian	P227 Modification Group	For Modification Group review
1.0	31/10/08	P227 Modification Group		For industry consultation and impact assessment

11.2 References

Ref.	Document Title	Owner	Issue Date	Version
1	Modification P227 IWA	BSC Panel	03/10/08	1.0
2	ISIS Consultation	ELEXON	04/10/06	1.0
3	Modification P212	BSC Panel	n/a	n/a

APPENDIX 1: APPLICABLE BSC OBJECTIVES

For reference the Applicable BSC Objectives, as contained in the Transmission Licence, are:

- (a) The efficient discharge by the licensee [i.e. the Transmission Company] of the obligations imposed upon it by this licence [i.e. the Transmission Licence];
- (b) The efficient, economic and co-ordinated operation of the GB transmission system;
- (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;
- (d) Promoting efficiency in the implementation and administration of the balancing and settlement arrangements.

APPENDIX 2: PROCESS FOLLOWED

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

Date	Event
24/09/08	Modification Proposal raised by Ian Moss
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
05/12/08	Panel Paper Day
11/12/08	Assessment Report presented to the Panel

APPENDIX 3: ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL**ESTIMATED COSTS OF PROGRESSING MODIFICATION PROPOSAL³**

Meeting Cost	£ 1,500
Legal/Expert Cost	£ 0
Impact Assessment Cost	£ 0
ELEXON Resource	64 man days £ 13,250

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

APPENDIX 4: MODIFICATION GROUP MEMBER

Member	Organisation	13/10/08	20/10/08
David Jones	ELEXON (Chairman)	X	X
Bu-Ke Qian	ELEXON (Lead Analyst)	X	X
Ian Moss	APX (Proposer)	X	X
Andrew Colley	Scottish & Southern Energy	X	X
Chris Stewart	Centrica	X	X
Gary Henderson	SAIC	X	X
Claire Maxim	E-ON	X	X
Bill Reed	npower	X	X
Attendee	Organisation		
Florienne Roach	ELEXON (Lawyer)	X	X
Steve Francis	ELEXON (Design Authority)	X	X
Tabish Khan	ELEXON (Service Delivery)	X	X
John Guest	LOGICA	X	X
Raihana Braimah	Ofgem	X	X

³ 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.

APPENDIX 5: MODIFICATION GROUP TERMS OF REFERENCE

TERMS OF REFERENCE

Modification Proposal P227 will be considered by the Settlement Standing Modification Group in accordance with the SSMG Terms of Reference and the Appendix attached.

P227 – Extension of The Definition Of ECVAAs Systems to include the centrally provided communications network.

1. ASSESSMENT PROCEDURE

- 1.1 The Modification Group will carry out an Assessment Procedure in respect of Modification Proposal P227 pursuant to section F2.6 of the Balancing and Settlement Code.
- 1.2 The Modification Group will produce an Assessment Report for consideration at the BSC Panel Meeting on 11 December 2008.
- 1.3 The Modification Group shall consider and/or include in the Assessment Report as appropriate:
 - Identify the ECVAAs resubmissions process:
 - Benefits and costs of a resubmission process;
 - Confirm if the resubmission process should fully mirror the current resubmission process;
 - Ensure the appropriate assurance that only valid notifications would be resubmitted;
 - Define the boundary for extension of the 'system failure' and describe the definition of the 'system failure'
 - Analyse the impact of historic communications failures;
 - Identify the volume of the contracts which failed to be processed and the resultant Imbalance charges;
 - Identify the frequency of such failures occurring;
 - Identify impacts on:
 - ECVAAs Systems;
 - Party Systems/Party Agents Systems;
 - BSCCo processes;
 - Appropriateness and the criteria of a 'Sunset Clause'
 - Quantification of the benefits/disadvantages P227;
 - Qualitative assessment of impacts on greenhouse emissions;
 - Consider the Alternative for broader authority for manual resubmission and other Alternatives;
 - Whether the Proposed and Alternative solutions better meet the Applicable BSC Objectives.
 - Any impact on contractual terms.

APPENDIX 6: DATA ANALYSIS

Total Volume of Trades by Mins before Period Start

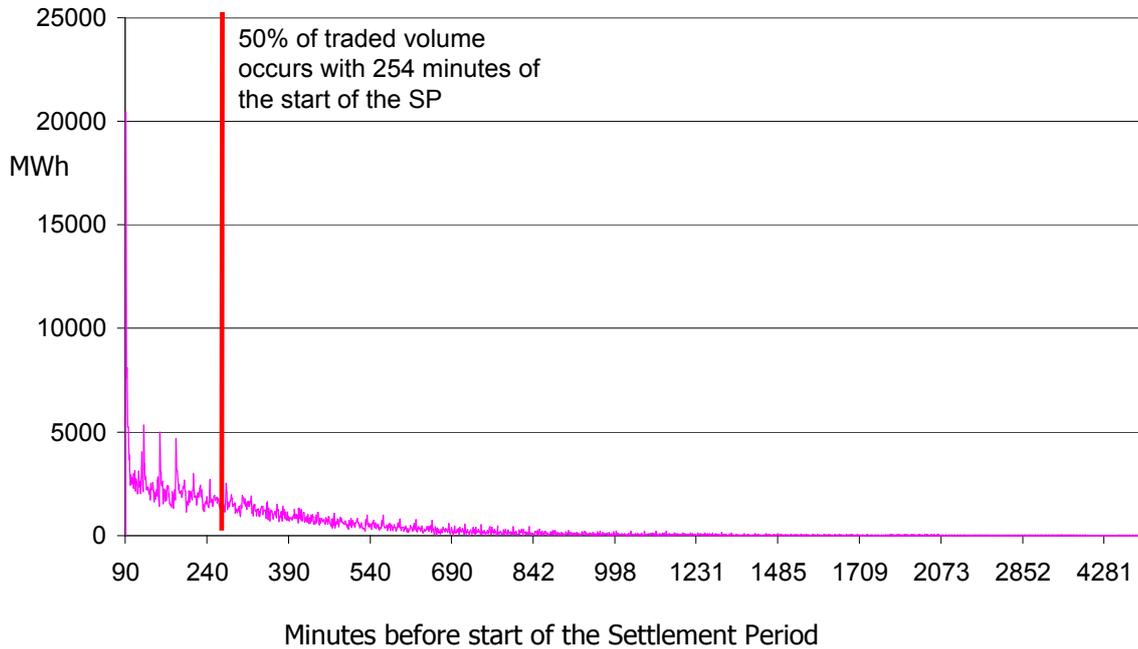


Table 1 Record of confirmed historic communications failures

Date	Failure	Problem
03 Apr 2001	Low Grade	A failure was detected late morning on the Low grade internet connection.
06 Jun 2001	Low Grade	Notification Agents encountered problems submitting Notifications from approximately 00:00. The LGS became available at 12.15pm.
21 Aug 2001	Low Grade	A failure was detected in the early hours of this morning. This was due to a problem with the firewall. The Low Grade Service resumed at 15:40hrs.
25 Feb 2002	Low Grade	There was a failure between 06:08 and 06:51.
26 Sep 2002	Low Grade	There was a failure between 12:36 and 12:51.
17 Dec 2002	Low Grade	There was a failure between 13:17 and 14:11.
22 Jan 2003	High Grade	The High Grade Service degraded between 16:15 and 17:40.
14 Oct 2003	Low Grade	An unexpected delay with restoring low grade services following a planned outage.
09 Sep 2008	High Grade	A degradation of the High Grade Service between approximately 18:30 on 8 September 2008 to 01:15 September.

Figure 3 APX data

Average Absolute Volume traded 30minutes before Gate Closure for 14-20 December 2007

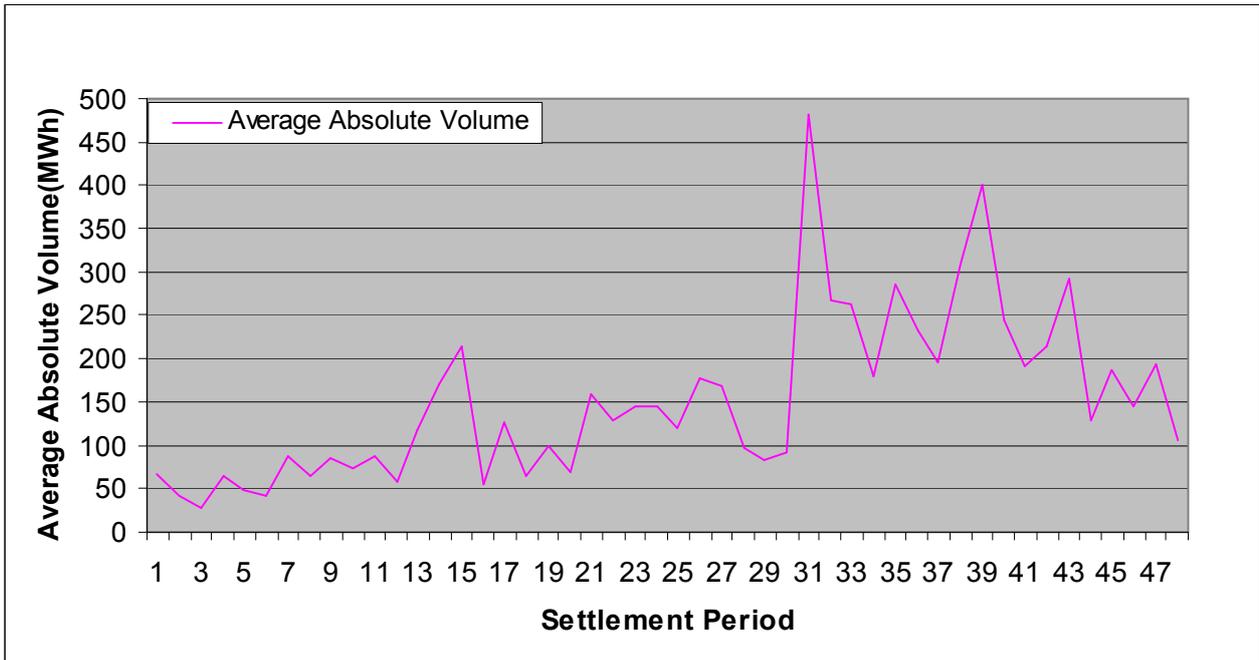


Fig 4 Average Absolute Volume for 14-20 December 2007

Average Imbalance Price associated with the Volume traded 30 minutes before Gate Closure for 14-20 December 2007, Imbalance Charge (pay) = Absolute Volume * System Buy Price
 Imbalance Charge (paid) = Absolute Volume * System Sell Price

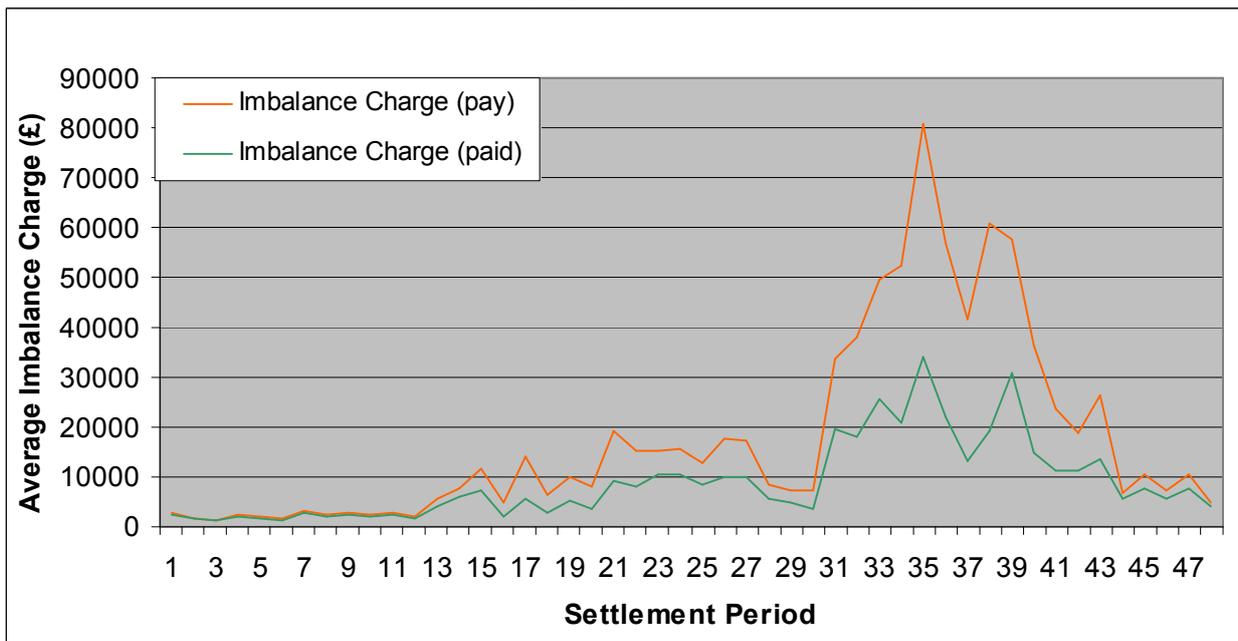


Fig 5 Average Imbalance Charge for 14-20 December 2007

Average Net Imbalance Charge associated with the Volume traded 30 minutes before Gate Closure for 14-20 December 2007, Net Imbalance Charge = Imbalance Charge(pay) – Imbalance Charge (paid)

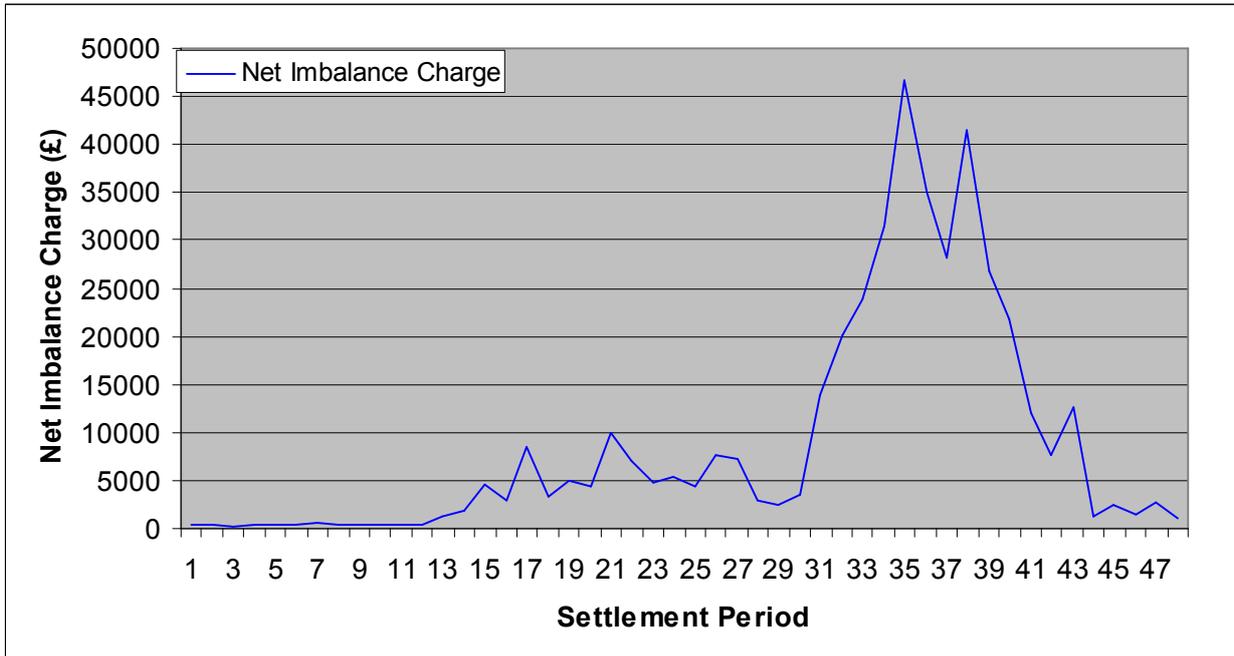


Fig 6 Average Net Imbalance Charge for 14-20 December 2007

Average Number of ECVNAs affected 30minutes before Gate Closure for 14-20 December 2007

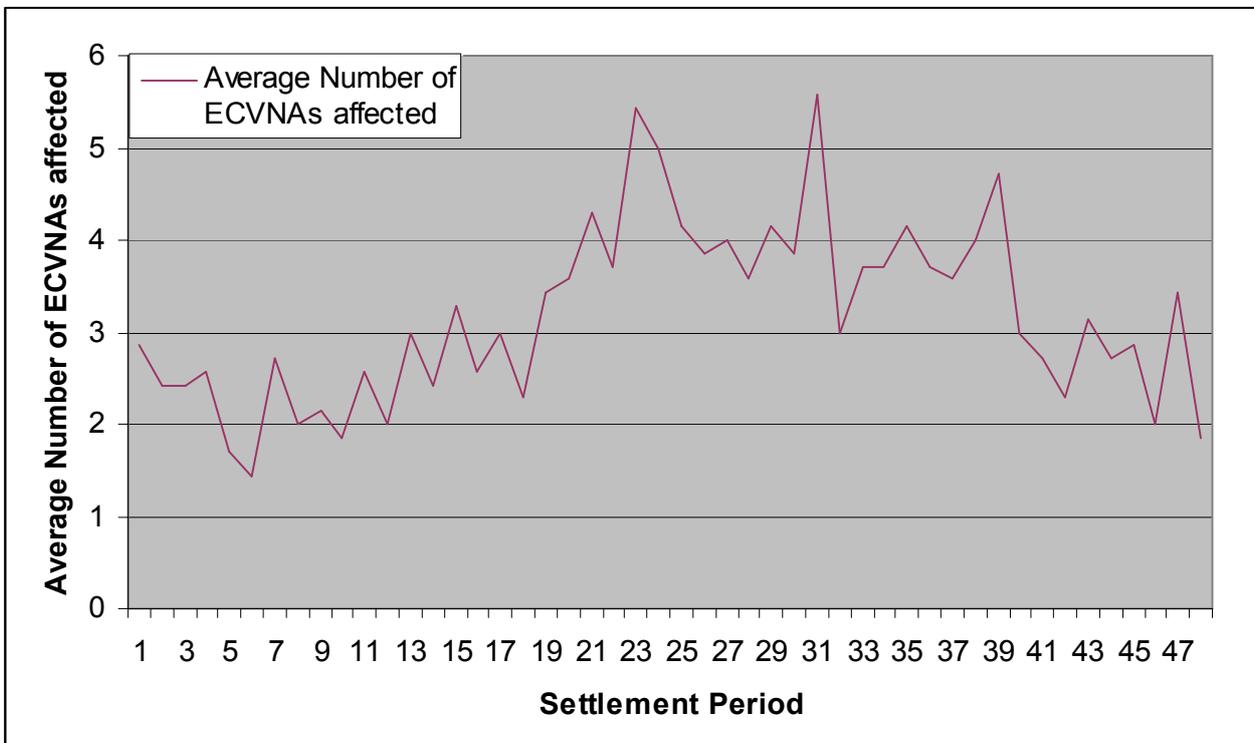


Fig 7 Average Number of ECVNAs affected for 14-20 December 2007