

DRAFT MODIFICATION REPORT FOR MODIFICATION PROPOSALS:

P233 - 'Housekeeping Modification – Correction of SSL references, Letters of Credit, Definitions in Section X and manifest errors in P215 Legal Text'; and

P234 - 'Housekeeping Modification – Correction of manifest errors in P217 Legal Text'.

Date of Issue: 12 March 2009
Reason for Issue: For Consultation

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OVERVIEW

Modification P233 seeks to:

- replace references to the SVAA Service Lines with BSC Service Description;
- update the current form of Letter of Credit
- amend the code to include the two additional forms of Letter of Credit;
- include the definition for two previously defined terms in Annex X-2 Table 6; and
- correct manifest errors in the P215 legal text.

Modification P234 seeks to:

- Correct manifest errors in the P217 legal text.

RECOMMENDATIONS

The BSC Panel Recommends for P233:

- that the Proposed Modification should be made;
- an Implementation Date of 25 June 2009 if an Authority decision is received on or before 23 June 2009, or 2 Working Days after an Authority decision if the decision is received after 23 June 2009; and
- the proposed text for modifying the Code, as contained in Appendix 1.

The BSC Panel Recommends for P234:

- that the Proposed Modification should be made;
- an Implementation Date of 05 November 2009 if an Authority decision is received on or before 03 November 2009, or 2 Working Days after an Authority decision if the decision is received after 03 November 2009; and
- the proposed text for modifying the Code, as contained in Appendix 2.

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1 SUMMARY

On 12 March 2009 the Panel agreed ELEXON's recommendation to raise two 'housekeeping' Modifications

- P233 'Housekeeping Modification - Correction of SVAA Service Line references, Letters of Credit, Definitions in Section X and manifest errors in P215 Legal Text' ;and
- P234 'Housekeeping Modification - Correction of manifest errors in P217 Legal Text'.

Two Modifications Proposals are necessary as changes are required to both P215 and P217 legal text. P215 will be implemented as part of the June 2009 Release, whilst P217 will be implemented in the November 2009 Release. Since a Modification cannot have multiple implementation dates and Legal text cannot be amended until the associated Modification is implemented, the pragmatic approach is to raise two modifications reflecting the two different implementation dates.

In order to maximise efficiency both Modification Proposals have been progressed in a single set of Modification documents, although distinctly separate within these documents. The Authority and Panel have indicated that they are happy with this approach.

Changes included in both modifications are summarised below. Further details can be found in section 2 and 3 of this document, and draft legal text is provided in Appendix 1.

1.1 Modification P233

P233 'Housekeeping Modification - Correction of SVAA Service Line references, Letters of Credit, Definitions in Section X and manifest errors in P215 Legal Text' will:

- correctly reference the BSC Service Description for the SVAA;
- include Letters of Credit UPC600 and ISP98 in the code as Annex M-2 and Annex M-3 respectively, and will amend UPC500, in annex M-1, to make it consistent with UPC600;
- include the correct definitions of two Defined Terms in Annex X-2 Table 6;
- delete two terms from Annex X-1; and
- correct manifest errors in the approved P215 legal text.

1.2 ModificationP234

P234 'Housekeeping Modification - Correction of manifest errors in P217 Legal Text' will:

- correct manifest errors in the approved P217 legal text.

1.3 Implementation Approach

As detailed above, the required changes to the P215 and P217 legal text cannot be made until the legal text is implemented in the June 2009 and November 2009 releases respectively. This is reflected in the recommended implementation dates of the two proposals.

P233

P233 will have a proposed implementation date of **25 June 2009** if the Authority make a decision on or before 23 June 2009. Or **2 Working Days** following an Authority decision if made after 23 June 2009.

P234

P234 will have a proposed implementation date of **05 November 2009** if the Authority make a decision on or before 03 November 2009. Or **2 Working Days** following an Authority decision if made after 03 November 2009.

1.4 Impacts and costs

1.4.1 Implementation Costs

Implementing proposed Modifications P233 and P234 will require ELEXON to:

- Update the Code; and
- remove references to the seven SVAA Service Lines on the Baseline Statement and ELEXON website.

These one-off activities will involve 2 man days of ELEXON effort equating to £440.

1.4.2 Impacts of the Modification Proposals

The following sections of the BSC will be impacted by these Modification Proposals:

Code Section	Potential Impact of Proposed Modification
P233	
S	<ul style="list-style-type: none"> • Amend to replace references to SVAA Service Lines (SSLs) with BSC Service Description
M	<ul style="list-style-type: none"> • Correction of manifest errors identified in P215 legal text • Amendment to Annex M-1 Letter of Credit UPC500 • Addition of two new Annexes (M-2 and M-3) to contain UPC600 and ISP98.
X	<ul style="list-style-type: none"> • Amend Annex X-1 to remove definition of Replica Settlement Day • Include terms Replica Settlement Day and Specimen Settlement Day in Annex X-2 Table 6.
P234	
T	<ul style="list-style-type: none"> • Correction of manifest errors identified in P217 legal text

1.5 Panel's Recommendation

The Panel believes that the above changes can be considered to represent the correction of minor inconsistencies and consequential changes, and therefore falls within the definition of a 'housekeeping' Modification Proposal.

By reducing the potential for confusion by addressing the issues above, ELEXON believes the Modification Proposals will promote transparency and efficiency and thereby better facilitates the achievement of Applicable BSC Objective (d).

ELEXON issued a draft Modification Report, containing the details of both P233 and P234, for consultation. Details of the responses received are provided in 5.2.

The draft legal text as agreed by the Panel can be found in Appendix 1.

2 P233 'HOUSEKEEPING MODIFICATION – CORRECTION OF SSL REFERENCES, LETTERS OF CREDIT, DEFINITIONS IN SECTION X AND MANIFEST ERRORS IN P215 LEGAL TEXT'

This section details the housekeeping changes contained within proposed Modification P233.

2.1 Replace references to SVAA Service Lines with SVAA BSC Service Description.

2.1.1 Background

BSC Service Descriptions set out the business requirements that BSC Agents, appointed by ELEXON, have to follow to meet their contractual obligations.

As Part of the Project ISIS Business Process Operations (BPO)/Host procurement ELEXON reviewed the documents detailing BSC Agent requirements. At this time it was determined that a new Supplier Volume Allocation Agent (SVAA) Service Description should be drafted to replace the existing seven SVAA Service Lines (SSLs).

The SVAA Service Description contains no new obligations or requirements. It is simply an amalgamation of the requirements in the existing seven SSLs.

The Panel approved the new SVAA Service Description for use in March (via Panel Paper 153/10) and placed the responsibility of agreeing any future changes to the document with the Supplier Volume Allocation Group (SVG)

2.1.2 Required Changes

The new BSC Service Description for the SVAA will replace the seven existing SVAA Service Lines. The references to the SVAA Service Lines in Section S of the BSC will need to be replaced with references to the BSC Service Description.

In addition the defined term 'SVAA Service Line' will require removal from Annex X-1 as it will not be in use in Section S as a result of the above, and is not used anywhere else within the BSC.

2.2 Letters of Credit

2.2.1 Background

To lodge Credit with the Funds Administration Agent (FAA), Parties have two options. They can either lodge cash or submit a Letter of Credit. The Panel is permitted by the Code to change the accepted form of Letter of Credit.

The existing Letter of Credit in Annex M-1 is subject to the Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICC Publication No. 500 (UCP500). Although UCP500 is still accepted when presented to banks, it is now being superseded by new rules governing Letters of Credit. At the December 2008 Panel meeting ELEXON presented a paper (150/09) that proposed introducing two new forms of Letters of Credit:

- a Letter of Credit subject to the Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication No.600 (UCP600) and;
- an alternate Letter of Credit subject to International Standby Practices 1998 published by the International Chamber of Commerce (ISP98).

The Panel approved the use of UCP600 and approved the use of ISP98 as an alternative, and endorsed our intention to raise a housekeeping Modification to include the two new forms of Letter of Credit. The Panel also determined that the use of UCP500 would remain valid.

2.2.2 Required Changes

The Letters of Credit UCP600 and ISP98 will be included in the code as Annex M-2 and Annex M-3 respectively. This approach is recommended for consistency reasons and separating the annexes adds clarity when distinguishing between the three accepted forms.

In addition, UCP500 in Annex M-1 will be updated to provide consistency and clarity between it, and UCP600 and ISP98. A typographical error also requires correcting. This error was introduced during the implementation of P214 'Issues Relating to Funds Administration' when the date reference relating to UCP500 was inadvertently changed from 1993 to 1997.

2.3 Addition of two previously un-defined terms in Section X

2.3.1 Background

In Annex S-2, paragraphs 6.4 and 6.5 refer to two capitalised terms 'Specimen Settlement Day' and 'Replica Settlement Day'. The paragraphs were transferred directly from the Pooling and Settlement Agreement at NETA Go-Live, but the definitions were not included in Section X. As a result of this oversight, the two terms are not defined anywhere in the BSC.

It has been identified that the term 'Replica Settlement Day' is contained in Annex X-1. However this is only a reference to paragraph 6.4.7 of Annex S-2. The reference does include the term 'Replica Settlement Day' but rather than providing an explicit definition, explains how it is used. Therefore the term 'Replica Settlement Day' in Annex X-1 should be removed to avoid confusion with the actual definition which will be included in Annex X-2 Table X-6.

2.3.2 Required Changes

ELEXON will add the following definitions to Annex X-2, Table X-6:

- **Replica Settlement Day:** In relation to a Settlement Day, a Settlement Day having the same attributes as that Settlement Day including Clock Change.
- **Specimen Settlement Day:** In relation to any Settlement Day, a Settlement Day having the same attributes as that Settlement Day other than a Clock Change.

Table 6 in Annex X-2 provides definitions for Defined Terms specifically for Section S. The above definitions should be included in this table as the terms are only used in Section S and nowhere else in the BSC.

2.4 Manifest errors in the P215 Alternative Legal Text

2.4.1 Background

ELEXON identified two manifest errors in the Approved P215 legal text which is to be implemented as part of the June 2009 Release on 25 June 2009.

The manifest errors relate to a part of the P215 legal text that seeks to describe the new Metered Energy Indebtedness (MEI) calculation which will be used in the BSC credit arrangements.

The aim of the MEI calculation is to improve the accuracy of the Energy Indebtedness calculation by using Half Hourly metered volume data from the Central Data Collection Agent (CDCA) in relation to those Credit Qualifying BM Units for which, the data is routinely available. The resulting energy volume is referred to as Metered Credit Assessment Credited Energy Volume (MAQCE).

Where metered data is not available, less accurate data (based on Final Physical Notifications) may be used. The less accurate data is referred to as Credit Assessment Credited Energy Volume (CAQCE).

The manifest error in Section M Paragraph 1.2.4B(b), forces the BSC to mix the less accurate CAQCE data with the more accurate MAQCE data. The intention of P215 is to use the more accurate data whenever possible.

2.4.2 Required Changes

The formula in Section M1.2.B(b) concerns the allocation of the Metered Credit Assessment (MAQCE) of a BM Unit between the Lead Energy Account and the Subsidiary Energy Accounts. Therefore the reference should be to the quantity MAQCE. The manifest error in this formula forces the BSC to mix the less accurate CAQCE data with the more accurate MAQCE data and is inconsistent with P215's aim of using the more accurate data when it is available.

The formula in Section M 1.2.4B(c) is to be used only when the more accurate MAQCE data is unavailable. The corrected version of Paragraph 1.2.4B(c), says that when the better data is not available, then the potentially less accurate CAQCE should be substituted.

2.4.3 Why is it a Manifest Error?

The intent of P215 is clear in the P215 Modification Report, which explained that the Modification Proposal suggested the method of calculating Credit Cover, in respect of Credit Qualify BM Units, with the intent that the accuracy of the calculations would be increased. Consequently the amount of credit Parties are required to lodge would be based on more accurate date when available.

By making the changes proposed in Modification P233, the Code will reflect how P215 is intended to operate.

3 P234 'HOUSEKEEPING MODIFICATION – CORRECTION OF MANIFEST ERRORS IN P217 LEGAL TEXT'

As summarised in section 1, ELEXON proposes that P234 will correct the P217 Legal text and make the following changes:

3.1 Manifest errors in the P217 Alternative Legal Text

3.1.1 Background

ELEXON has identified a minor inconsistency in an algebraic term, some stylistic changes and two incorrect cross references in the approved P217 legal text. These are detailed below.

3.1.2 Cross referencing error

In the approved P217 legal text Annex T-1 paragraphs 15.3 and 15.5 define the meaning of the term 'Qualifying'. Currently Paragraphs 15.3 and 15.5 incorrectly reference Section T paragraphs 4.2 and 4.3 respectively. They should reference Section T-1 paragraphs 15.3 and 15.4 in order to make their meaning clear. The incorrect cross referencing can direct you to sections that do not need to be read.

The two incorrect cross-referencing errors in Annex T-1 paragraph 15.3 and 15.5 were inherited from a previous version of the draft legal text. They came about as the first draft of the legal text came in two separate parts and the references are to the paragraph numbers there. When the two parts of the legal text were amalgamated, the old references were not updated. Both of these cross referencing errors should be considered as a manifest error as there is no risk of there being any misunderstanding when the section is read as a whole. Each paragraph specifies the meaning of a term 'Qualifying' used in the paragraph above it, to which the reference is made.

3.1.3 Algebraic inconsistency

The inconsistency in an algebraic term in the approved P217 legal text concerns the superscript in Paragraph 15.5(b). The superscript has the letter 'm' which should be replaced with the letter 'w' to be consistent with the rest of the text. This inconsistency was inherited from an old version of the draft legal text.

3.1.4 Stylistic changes

There are a few stylistic changes involving the removal of brackets in some of the formulae. There is also an unnecessary use of an absolute value sign, which should be removed for clarity. These equations will work correctly as they are currently drafted. However by making these amendments will ensure that the equations are easier to use and understand.

4 RATIONALE FOR PANEL'S RECOMMENDATION TO THE AUTHORITY

4.1 Panel's Provisional Recommendations

At its meeting on 12 March 2009, the Panel raised Modifications P233 and P234 and submitted both directly to the Report Phase on the recommendation of ELEXON (see Panel paper [153/07](#))

At this meeting the Panel also agreed its provisional recommendations/views:

- both P233 and P234 will better facilitate the achievement of applicable BSC Objective (d) by reducing the potential for confusion, thereby promoting transparency and efficiency;
- therefore both Proposed Modifications P233 and P234 should be made;
- the **P233** implementation date should be **25 June 2009**, if the Authority make a decision on or before 23 June 2009. Or **2 Working Days** following an Authority decision if made after 23 June 2009;
- the **P234** implementation date should be **05 November 2009**, if the Authority make a decision on or before 03 November 2009. Or **2 Working Days** following an Authority decision if made after 03 November 2009; and
- the draft P233 and P234 Legal text delivers the intentions of both Modifications.

4.2 Results of Report Phase Consultation

This section will be completed following the Report Phase Consultation

4.3 Panel's Final Recommendations

This section will be completed following the Panel's considerations of the Report Phase Consultation.

APPENDIX 1: LEGAL TEXT

The draft P233 legal text is provided as Attachment A.

The draft P234 legal text is provided as Attachment B

APPENDIX 2: PROCESS FOLLOWED

Copies of all documents referred to in the table below can be found on the P233 and P234 pages of the BSC Website

Date	Event
12/03/09	Modification Proposals P233 and P234 raised by the Panel and submitted directly to the Report Phase
13/03/09	Draft P233 and P234 Modification Report issued for industry consultation
27/03/09	Report Phase consultation responses returned
09/04/09	Draft Modification Report presented to the Panel
	Final Modification Report issued to the Authority for decision

APPENDIX 3: REPORT PHASE CONSULTATION RESPONSES

Full consultation responses will be provided following the Report Phase consultation.