

Stage 01: Request to raise a Modification Proposal

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Correcting an omission in the BSC arising from the P216 Alternative Modification legal text

ELEXON has identified that the P216 Alternative Modification legal text did not fully reflect the intent of the approved P216 Alternative solution.

Principle 15 of P216, the ability to correct Line Loss Factor material manifest errors going back to the start of a BSC year, was not correctly reflected in the BSC.

This Modification amends the BSC to fully reflect the intent of the P216 Alternative Modification solution.



ELEXON recommends
The attached Modification Proposal is raised and is progressed directly to the Report Phase.



Medium Impact:
The Panel (as delegated to the ISG and SVG), Parties impacted by a material manifest error.



Low Impact:
ELEXON would update the BSC following approval of this Modification Proposal.

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About this document:

This document is a request to raise a Modification Proposal. ELEXON will present this document to the Panel on 10 June 2010. The Panel will consider the recommendations and agree whether to raise the Modification Proposal and how it should be progressed.

If the Panel agree to raise this as a Modification Proposal then this paper should be treated as the Initial Written Assessment (IWA).

Further information is available in the draft Modification Proposal and draft legal text, which are Attachments A and B to this document.



Any questions?

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Summary

ELEXON has identified that the P216 'Audit of LLF Production' Alternative Modification legal text, and therefore the BSC, does not fully reflect the intent of the approved P216 solution. ELEXON recommends that the BSC Panel raise a Modification to amend the BSC to fully reflect the intent of the P216 Alternative Modification solution.

P216 Alternative Modification – principle 15

The P216 Alternative Modification introduced 16 principles for the calculation, audit and approval of Line Loss Factors (LLFs) to ensure that LLFs used in Settlement are accurate and consistent. These principles are documented in BSCP128 'Production, Submission, Audit and Approval of Line Loss Factors'.

Principle 15 states:

'No retrospective changes shall be made to approved site specific or generic LLFs other than to correct material manifest errors'

A material manifest error is 'An unambiguous error in the application of the approved methodology, in the calculation input data or corruption of the LLF values in the submission process in such a way that there is a material impact on Settlement or a material impact to the advantage or detriment of the customer'. The inclusion of Principle 15 in the P216 solution is clearly stated in the P216 Assessment Report, Final Modification Report and Authority decision letter:

- **P216 Assessment Report**

"3.1 High level principles...

15 No retrospective changes shall be made to approved site specific or generic LLFs other than to correct material manifest errors."

The Assessment Report also documents the Group's consideration of principle 15 and the views of Assessment Procedure respondents (sections 5.2.1.43 to 5.2.1.45). Paragraph 5.2.1.43 states "The Group agreed that, once approved, LLFs should not be changed, although it was noted that material errors should be corrected to protect Settlement accuracy".

- **P216 Final Modification Report**

Principle 15 is stated in section 1.1.1 of the Final Modification Report.

- **P216 Authority decision letter**

The Authority decision letter explicitly recognises principle 15 as the high level LLF principles are attached to the letter.

Why was P216 raised?

P216 'Audit of LLF Production' was raised to provide additional assurance to the industry and the Panel that the LLFs are accurate and consistent with the methodologies published

To achieve this P216 introduced 16 principles for the calculation, audit and approval of LLFs to ensure that LLFs used in Settlement are accurate and consistent.

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The issue – principle 15 not fully reflected in the BSC

Principle 15 was not correctly reflected in the P216 Alternative Modification legal text. As a result, the BSC does not allow the Panel (as delegated to the Imbalance Settlement Group (ISG) and Supplier Volume Allocation Group (SVG)) to correct material manifest errors going back to the start of a BSC year. The diagrams below shows the P216 solution and the current BSC provisions.

Figure 1 shows the Approved P216 solution. A material manifest error is identified for the current BSC year (1 April 2010 to 31 March 2011). The ISG and/or SVG is able to correct this material manifest error going forward to the next round of LLFs (for BSC year 2011/2012) and going back to the start of the BSC year. The area shaded in green shows where the Panel can correct the material manifest error. The area shaded in yellow shows where the next BSC year LLFs will start. The grey lined area shows where the LLFs have crystallised and cannot be corrected.

Figure 1: P216 solution – what should happen

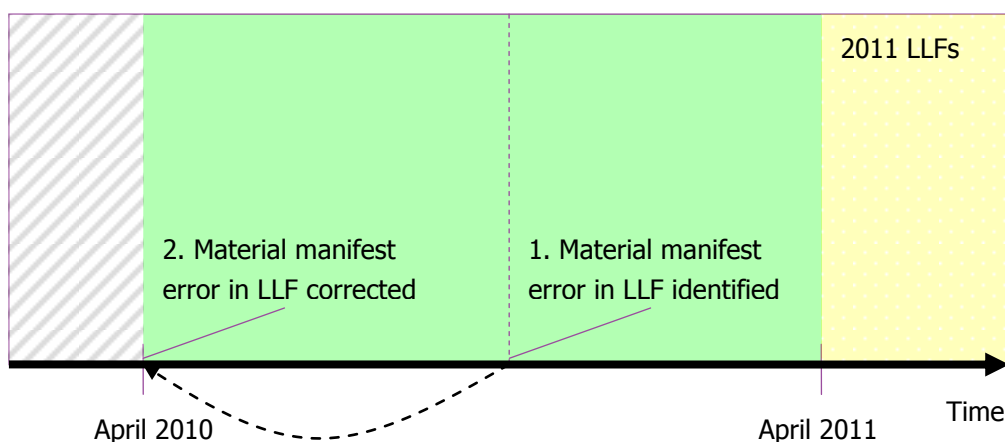
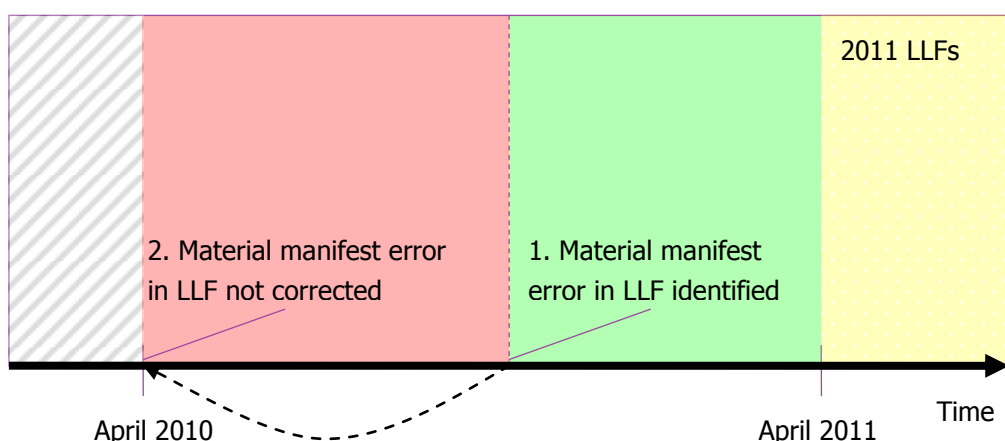


Figure 2 shows the current BSC provisions. The red shaded area indicates where the BSC deviates from the P216 solution. In this example, the ISG and/or SVG would not be able to correct a material manifest error going back to April 2010.

Figure 2: Current BSC



This is contrary to the approved P216 Alternative Modification and could impose significant unwarranted costs on Parties impacted by a material manifest error.

One instance of a material manifest error has already arisen. ISG and SVG have agreed the prospective correction of 30 affected Site Specific LLFs under the BSCP128 processes (SVG112/01, ISG112/06). Currently, this material manifest error cannot be corrected back to 1 April 2010, meaning affected Parties will not be able to recover resultant costs or relieve any other impacts experienced since the current LLFs were introduced.

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Proposed solution

ELEXON recommends that the BSC Panel raises a Modification Proposal in order to fully align the BSC with the P216 Alternative Modification. The Proposed solution would amend the BSC to:

- Ensure no retrospective changes shall be made to approved site specific or generic LLFs other than to correct material manifest errors;
- Where there is a material manifest error, such changes would:
 - only be made 'mid-year', i.e. back to the start of the BSC year (1 April) for which they are approved;
 - be allowed to be made back to 1 April 2010 for any material manifest errors identified before 1 April 2011; and
 - require Panel approval (as delegated to the ISG and SVG).

Any other LLF related changes are outside the scope of this Modification Proposal.

Applicable Objectives

We believe this Modification would better facilitate Applicable BSC Objective (d) 'Promoting efficiency in the implementation and administration of the balancing and settlement arrangements' as it would:

- allow the Panel (as delegated to the ISG and SVG) to correct LLF material manifest errors going back to the start of a BSC year, as originally envisaged under P216;
- clarify the provisions around LLF changes;
- reduce the risk of Parties being confused about the LLF provisions; and
- increase the efficiency of ELEXON's administration of the LLF arrangements.

Implementation Approach

If the Panel decide to raise this Modification Proposal it will be a Code-only change, and so we recommend that it is implemented 5 Working Days after an Authority approval decision.

3 Proposed Progression

Why directly to Report Phase?

The Panel has the ability to progress a Modification straight to the Report Phase, usually where it considers the Modification Proposal to be self-evident (BSC paragraph F2.2.4).

We recommend that this Modification proceeds directly to the Report Phase on this basis because it aligns the BSC with the Authority approved P216 Alternative Modification. The omission of the ability for the ISG and SVG to correct material manifest errors going back to the start of a BSC year is clearly counter to the approved P216 Alternative Modification. Hence, this is a self evident change.

There is no intention to discuss the benefits or drawbacks of the approved P216 solution under this Modification. It merely seeks to align the BSC with the solution previously approved by the Authority on the recommendations of the Panel.

We therefore recommend that the Panel determines that this Modification Proposal should proceed directly to the Report Phase, pursuant to paragraph F2.2.3(b)(iii) of the Code.

Timetable and Costs

If the Panel agrees to raise this Modification Proposal, and send it directly to the Report Phase, ELEXON will present the Draft Modification Report, together with Report Phase Consultation responses, to the Panel at their meeting on 8 July 2010.

The estimated ELEXON progression costs, based on the proposed timetable, amount to 2.5 man days of effort, equating to £600.

4 Likely Impacts

Impact on BSC Systems and process

None identified

Impact on BSC Agent/service provider contractual arrangements

None identified

Impact on BSC Parties and Party Agents

The Modification Proposal would allow Parties to request the Panel corrects LLF material manifest errors going back to the start of a BSC year, as originally envisaged under P216.

Impact on Transmission Company

None identified

Impact on ELEXON

Minor impact to update the BSC.

Impact on Code

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Impact on Code	
Code section	Potential impact
Section K	Would need to be amended to fully reflect P216 Alternative Modification principle 15.

Impact on Code Subsidiary Documents
None identified

Impact on Core Industry Documents and other documents
None identified

Impact on other Configurable Items
None identified

Other impacts	
Panel, ISG, SVG	The Panel (as delegated to the ISG and SVG) would be able to correct material manifest errors going back to the start of the BSC year in which they are identified.

5 Recommendations

We invite the Panel to:

- NOTE that the current drafting in the BSC Section K does not fully reflect the P216 Alternative Modification; and
- AGREE to raise the Modification Proposal as included in Attachment A.

If the Panel agrees to raise the Modification Proposal, we also invite the Panel to:

- DETERMINE that this Modification Proposal progresses directly to the Report Phase;
- AGREE a provisional recommendation that the Modification Proposal should be approved;
- AGREE a provisional Implementation Date of 5 Working Days after an Authority decision to approve;
- AGREE that the draft legal text delivers the intended solution (subject to any consultation responses received during the Report Phase); and
- AGREE the timetable such that a Draft Modification Report is completed, issued for consultation, and submitted to the Panel at its meeting on 8 July 2010.

6 Further Information

More information is included in the Modification Proposal form (Attachment A) and the legal text (Attachment B).



Recommendation

ELEXON recommends that the BSC Panel raise a Modification to amend the BSC to fully reflect the intent of the P216 Alternative Modification solution.

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