Assessment Procedure Consultation Responses

P309 'Facility to enable BSC Parties to select either replacement contract notifications or additional contract notifications'

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What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

This Assessment Procedure Consultation was issued on 22 September 2014, with responses invited by 13 October 2014.

Consultation Respondents

Respondent	No. of Parties/Non-Parties Represented	Role(s) Represented
EDF Energy	10/0	Generator, Supplier, Non-Physical Trader,
E.ON	7/0	Generator, Supplier, Interconnector User, Non-Physical Trader
GDF Suez Energy	6/2	Generator, Non-Physical Trader, ECVNA, MVRNA
RWE Npower	10/0	Generator, Supplier, Interconnector User
ScottishPower	9/0	Generator, Supplier, Distributor, Non-Physical Trader, ECVNA, MVRNA, Supplier Agent
SmartestEnergy	2/0	Supplier
SSE plc	8/0	Generator, Supplier, Interconnector User

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Question 1: Do you agree with the Workgroup's initial majority view that the P309 Proposed solution does not better facilitate the Applicable BSC Objectives compared with the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
6	1	0	0

Responses

Respondent	Response	Rationale
EDF Energy	Yes	The proposal involves central costs, and will allow a particular participant (or a very small subset of participants) to retrospectively rectify an error made by it while using long standing central rules and processes. There may be justification for such retrospective changes in circumstances that cannot reasonably be anticipated. However, that does not appear to be the case here, and this retrospective rule change would undermine investment made by other participants to avoid such errors, and act against BSC Objective (c) concerning competition.
E.ON	Yes	Prospective application of this proposal might be of some benefit to parties, particularly new market participants, potentially furthering Objective C, but retrospective application under P309 Proposed would have more of a negative than positive impact. Indeed we do not believe that this modification meets the Authority's guidance for retrospection. We are not convinced by the Proposer that the mere fact of the request for historic application featuring in the original proposal is sufficient to mean that P309 should qualify under the circumstance 'where the possibility of a retrospective action had been clearly flagged to the participants in advance, allowing the detail and process of the change to be finalised with retrospective effect', on the basis of the retrospection being tied to 10/07/14 when P309 was presented to the Panel. Fundamentally, the retrospective element of the proposed solution negates the positive impacts that P309's implementation could have towards the BSC Objectives. I.e., the impact on competition, BSC Objective C, of back-dating a rule change to a particular date merely to suit a certain party who has made a mistake, and at a central cost ultimately shared amongst all parties, would be negative, not

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Respondent	Response	Rationale
		positive. Mistakes of varying magnitude can and have been made at any time by any Parties, including ourselves, and requesting a retrospective rule change to undo the negative impact of your own mistake at a cost to be borne by parties who managed their own businesses without issue under the existing rules is hardly good practice. The negative impact of the unfairness and uncertainty that any such retrospective implementation would lead to would outweigh the potential positive impact that could otherwise arise from adding a potential safeguard into future arrangements. Thus we believe P309 Proposed would not be better than the baseline, rather, negative with regard to Objective C.
GDF Suez Energy	Yes	Here the Ofgem criteria on retrospection are relevant. Whilst we do agree that the losses incurred by the Proposer of this modification on 13-14 May 2014 were material, we do not believe that the other criteria are fulfilled. In particular: i) The loss was not directly attributable to central arrangements – these were working and processing ECVNs correctly at the time of the error, which was due to a change being made to the Proposer's systems. ii) The circumstances could have been reasonably foreseen. Any change to a participant's ECVN submission system should be fully tested and validated before implementation (GDF Suez Energy has experience of making significant changes to its notification systems in 2012). During implementation there should be ongoing verification of what is happening in order to cease/reverse implementation if it is not working to plan. The experience of 13 years since NETA was implemented and of previous errors should be enough to make any participant have a reasonable expectation that things may go wrong. iii) Retrospective action was not flagged. To the contrary, the previous experience of modification P37 (past notification errors) in 2002-2003, including the rigour with which claims were investigated, the low success rate, and the high losses (all

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Respondent	Response	Rationale
		against the background of a new trading environment) all point to an extremely low likelihood of any retrospective action being taken on notification errors after 13 years of NETA experience. Note also, that unlike the Alternative solution, we do not believe that the proposed solution complies with Objective (c). This is for two reasons: i) An attempt to correct one BSC party's error, whilst others have had to endure highly significant costs for their own errors over the past few years without having any means to correct notification errors, will be contrary to effective competition. ii) The effect of a retrospective change could have disastrous effects on some parties if they agree to a change in the ECVNA status without fully understanding what the rule changes could do to the notified positions.
RWE Npower	No	We believe that it is appropriate to implement the original proposal given that the historic element of the proposal was clearly indicated at the time that the modification was raised. In addition, the proposed modification will ensure that historic contract positions can be adjusted to reflect the fact that the current arrangements for contract notification are ambiguous. Consequently the historic application of the modification proposal will better meet objective C with respect to competition and enable parties to address recent issues associated with system upgrades and contract notification.
ScottishPower	Yes	When assessing the proposed modification, we have split it into two distinct elements. There is the technical aspect of the change, introducing a new flag to the process, and there is the retrospective application of this solution. The technical element is a pragmatic way of avoiding inadvertent mistakes occurring in the future, increasing certainty and reducing risk, especially to smaller Parties who may not be able to withstand large imbalance shocks. This reduction in risk can only be better for Objective c. There is a weaker argument for benefits under Objective d, in that there is an anticipated reduction in central activity around defaults and

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Respondent	Response	Rationale
		disputes. The retrospective element, however does not better achieve any of the Objectives. This is not only due to the uncertainty generated by retrospective changes in general. The time-limited nature of the retrospective window means that the proposed solution does, in effect, limit this solution to being only applicable to the Proposer. Any Party finding themselves in a similar situation in the future would not be able to avail themselves of the same relief. This distinct targeting of the solution at one Party is highly anti-competitive. We believe that the detrimental effects of the solution far outweigh the positive effects, and as such the Proposed Modification is not better than the baseline.
SmartestEnergy	Yes	Retrospective changes are not desirable; the arrangements revolve around Parties' positions at gate closure.
SSE plc	Yes	The principle of introducing an explicit parameter that allows Parties and their ECVNA to determine their intended mode of operation (additive or replacement) seems a sensible additional control measure to allow, as long as it is does not mandate operation in one particular mode. However, other than in very exceptional circumstances, SSE does not support retrospective changes to the rule book, owing to the regulatory and financial uncertainty that is created as a result. We do not believe that this proposal has met the required criteria to warrant retrospection for the following reasons i) Whilst noting the perceived ambiguity in the BSC surrounding this area, the rules need to be read in conjunction with Code Subsidiary Documents which gives the full understanding of the practical effect when applying them. This has been the case since the introduction of NETA in 2001, and the need to invest in reliable systems and processes to ensure accurate contract notifications was further reinforced by the PNE Committee via the P6 quasi-judicial process conducted soon after the introduction of NETA. We have sympathy with the proposer if a loss has occurred as a

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Respondent	Response	Rationale
		result of high imbalance charges accruing with no physical imbalance imposed on the total system but this is currently a deliberate aspect of the rules intended to incentivise accurate notification of contract positions. If a genuine settlement error has occurred then a remedy should be sought via the Disputes process, which exists to assess and make judgement on such claims, rather than attempting to retrospectively change the rules. ii) Whilst noting that the Proposer flagged the idea of retrospection when raising the modification, this can only be considered valid in our view in the context of a settlement date implementation approach. However, the proposal seeks a calendar day implementation, impacting settlement reconciliation runs for settlement days prior to the date the proposal was raised. In our view this gives a retrospective effect in practice beyond that which might be considered reasonable in the circumstances and such effect will alter financial positions as a result of redistributing residual cashflow. We are also concerned about the central costs of retrospective application (both system and management), as well as potential unintended effects and consequences that may arise as a result of the complex system and rule changes needed to give this change retrospective effect. As a result therefore we believe that the proposal is detrimental to both objectives c) and d) of the BSC.

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Question 2: Do you agree with the Workgroup's initial unanimous view that the P309 Alternative solution does better facilitate the Applicable BSC Objectives compared with the current baseline?

Summary

Yes	No	Neutral/No Comment	Other
7	0	0	0

Responses

Respondent	Response	Rationale
EDF Energy	Yes	The alternative proposal gives participants an option to use central functionality to avoid making a particular type of erroneous contract notification, with limited changes required to existing participant processes, and with modest shared central costs. Although this may undermine investment made by existing participants to avoid such errors, the potential benefits for future participants probably outweigh the central cost in the long term, better meeting BSC objective (c) concerning efficient competition.
E.ON	Yes	The BSC and associated processes are complicated and this change would add a little more detail to the ECVNA Authorisation process at a central cost of ~£70k. It should however have the benefit of forcing Parties to consider this matter further and potentially preventing mistakes such as that which led to the Proposer raising this mod. In making processes more 'foolproof' for new Parties in particular P309 Alternative could thus support BSC Objective C to promote competition. As such, while retrospection to suit one Party would be anticompetitive, it can be viewed a worthwhile change to make on a prospective basis. Adding some clarity in the form of new definitions to the BSC might add a minor positive under Objective D, though £70k is not an insignificant cost. However we are not overly enthusiastic about this potential change. Having the flexibility to make both Replacement ('override' or 'net') and Additional ('additive' or 'gross') Contract Notifications is valuable. While ECVNs in relation to energy bought and sold between Energy Accounts belonging to the same Party might be straightforward, it is not so simple when the accounts belong to separate Parties. Consequently we have some concerns as also detailed under Question 10 that any Parties

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Respondent	Response	Rationale
		intending to make even prospective changes to limit their Authorisations must ensure that there is no impact on their ability to carry out their obligations e.g. as fall-back notifying agents under the terms of bilateral GTMAs. Otherwise there is a risk of increasing not decreasing the risks of unintended consequences regarding contract notifications, a potential negative under C. Overall P309 Alternative could be positive under Objective C, but only so long as any changes that Parties make to restrict Authorisations as a result are thoroughly thought-through.
GDF Suez Energy	Yes	We agree that the Alternative solution does reduce one aspect of the potential risks relating to erroneous ECVNs and so will comply with Objective (c), the promotion of competition. We believe that the solution is neutral against the other BSC objectives.
RWE Npower	Yes	The alternative modification proposal will better meet objective C and enhance competition by improving the process for contract notification and enabling parties to manage better the risks.
ScottishPower	Yes	The Alternative Modification is identical to the Proposed, except for the removal of the retrospective element. As such, it does not suffer from those detrimental effects on the BSC Objectives that the Proposed does. The Alternative will have a positive effect on Objectives c and (to a lesser extent) d.
SmartestEnergy	Yes	Yes but…whilst the central implementation costs are not massive in the scheme of things we do wonder whether this modification is absolutely necessary.
SSE plc	Yes	The principle of introducing an explicit parameter that allows Parties and their ECVNA to determine their intended mode of operation (additive or replacement) seems a sensible additional control measure to allow, as long as it is does not mandate operation in one particular mode. For those that operate in replacement mode only in particular, this would be a valuable additional control that could minimise exposure to unnecessary costs resulting from contract notification errors. The alternative proposal does not seek retrospection, avoiding the uncertainty, distributional effects and potential unintended consequences referenced in answer to Question 1.

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Respondent	Response	Rationale
		Therefore we agree that the prospective alternative modification better facilitates objective c) as it improves the risk management controls available to Parties to reduce exposure to contract notification failure risk; and better facilitates objective d) as it reduces the probability of inadvertent errors and consequential remedies arising through application of better risk management.

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Question 3: Do you agree with the Workgroup's initial majority view that the P309 Alternative solution does better facilitate the Applicable BSC Objectives compared with the P309 Proposed solution?

Summary

Yes	No	Neutral/No Comment	Other
6	1	0	0

Responses

Respondent	Response	Rationale
EDF Energy	Yes	See responses to questions 1 and 2.
E.ON	Yes	As per our answers to questions one and two, P309 Proposed in altering the rules from a particular past date to enable a certain party to 'get away' with making a mistake, (and with the associated cost of the change borne by all), would be negative under Objective C. P309 Alternative should be positive under C provided that risks around restricting Authorisations are carefully considered. Perhaps a minor positive to D also under P309 Alternative in making the BSC text and definitions clearer at slightly lower cost than the Proposed.
GDF Suez Energy	Yes	We agree that the Alternative solution is better than the Proposed. We believe that allowing some parties to retrospectively correct erroneous ECVNs, whilst others have incurred significant costs and not had any opportunity to make corrections since Past Notification Errors were processed some 11 years ago, is contrary to the promotion of effective competition.
RWE Npower	No	We believe that the historic application of the modification proposal is an improvement when compared with the alternative.
ScottishPower	Yes	For the same reasons as answer 2.
SmartestEnergy	Yes	Retrospective changes are not desirable; the arrangements revolve around Parties' positions at gate closure.

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Respondent	Response	Rationale
SSE plc	Yes	The alternative provides the benefit of an additional risk management tool to decrease exposure to contract notification failure risk, without the uncertainty, distributional effects and potential unintended consequences associated with the proposed.

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Question 4: Do you agree that the draft legal text in Attachment A delivers the intention of the P309 Proposed solution?

Summary

Yes	No	Neutral/No Comment	Other
5	1	1	0

Responses

Respondent	Response	Rationale
EDF Energy	Yes	Although not subjected to detailed legal scrutiny, we believe the legal text delivers the intention of the P309 Proposed solution described in the assessment consultation. Explicit reference to implementation of particular proposals is not usually included in legal text, but specific dates for the retrospective element of the change make this necessary in this case.
E.ON	Yes	Albeit 2.3.5 (a) (ii) just seems to be missing a closing ” after (a "Replacement Energy Contract Volume Notification).
GDF Suez Energy	No	Please see comments in the Appendix at the end of this document. Note also that more detailed examples of how the modification could operate have been shared with the P309 modification group.
RWE Npower	Yes	The proposed legal drafting makes it clear that parties can select ether replacement or additional contract notification and removes the current ambiguity.
ScottishPower	Yes	-
SmartestEnergy	No comment	No comment
SSE plc	Yes	-

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Question 5: Do you agree that the draft legal text in Attachment B delivers the intention of the P309 Alternative solution?

Summary

Yes	No	Neutral/No Comment	Other
5	1	1	0

Responses

Respondent	Response	Rationale
EDF Energy	Yes	Although not subjected to detailed legal scrutiny, we believe the legal text delivers the intention of the P309 alternative solution described in the assessment consultation. Explicit reference to implementation of particular proposals is not usually included in legal text, and seems unnecessary for the alternative proposal, which does not include retrospective elements. The new obligations would apply from the date on which they are implemented, and original obligations prior to that. Alternative ways of describing the default treatment for notifications made prior to implementation could be used.
E.ON	Yes	Only, as per the Proposed solution 2.3.5 (a) (ii) just seems to be missing a closing ” after (a "Replacement Energy Contract Volume Notification).
GDF Suez Energy	No	The same issues as for Question 4 apply here (the comments relate to the common legal text).
RWE Npower	Yes	The proposed legal drafting makes it clear that parties can select ether replacement or additional contract notification and removes the current ambiguity.
ScottishPower	Yes	-
SmartestEnergy	No comment	No comment
SSE plc	Yes	-

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Question 6: Do you agree with the Workgroup's recommended Implementation Date?

Summary

Yes	No	Neutral/No Comment	Other
7	0	0	0

Responses

Respondent	Response	Rationale
EDF Energy	Yes	4 months' notice should be sufficient to implement changes for future notification authorisations, or to change existing authorisations if desired.
E.ON	Yes	In a BSC release makes sense. As far as the five working days in which to make historical Authorisation amendments is concerned, this is presumably only realistic for Energy Accounts belonging to the same Party. The longer timeframe for the prospective change should allow enough time for any discussions with counterparties regarding future arrangements.
GDF Suez Energy	Yes	There is no reason to delay implementation beyond what is required for ECVAA systems development, since any changes to participants' systems is optional.
RWE Npower	Yes	-
ScottishPower	Yes	-
SmartestEnergy	Yes	-
SSE plc	Yes	-

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Question 7: Are there any other alternative solutions which would better facilitate the Applicable BSC Objectives?

Summary

Yes	No	Neutral/No Comment	Other
1	6	0	0

Responses

Respondent	Response	Rationale
EDF Energy	No	None at this time.
E.ON	No	-
GDF Suez Energy	Yes	An alternative implementation that would not run into the many potential problems with the legal text (and thus promotes efficiency) could be as follows: For a Replacement ECVNA: 1. Only accept an ECVN if effective from date=effective to date 2. Nullify all previous ECVNs for this day, regardless of ECVN identifier
RWE Npower	No	-
ScottishPower	No	-
SmartestEnergy	No	-
SSE plc	No	-

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Question 8: Do you believe that you would utilise the retrospective element of the P309 Proposed solution?

Summary

Yes	No	Neutral/No Comment	Other
1	6	0	0

Responses

Respondent	Response	Rationale
EDF Energy	No	We do not anticipate using the retrospective element at this time.
E.ON	No	-
GDF Suez Energy	No	-
RWE Npower	Yes	We envisage using the historic element of P309 proposed solution to correct errors from settlement period 37 on 13th May 2014 to settlement period 08 on 14th May 2014. We would use the proposal process to correct an inadvertent error associated with contract notification associated with an IT upgrade to our systems.
ScottishPower	No	-
SmartestEnergy	No	-
SSE plc	No	-

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Question 9: Please indicate the impacts of the Proposed and Alternative solutions for P309 on your organisation, in particular any perceived lead time and costs.

Summary

Yes	No
4	3

Responses

Respondent	Response
EDF Energy	The proposed solution would require minor changes to processes for new notification authorisations, and might involve minor changes to existing notification processes. With 4 months' notice as proposed, implementation costs should be minimal. There would presumably be changes in residual cashflows resulting from retrospective changes, resulting in payment from unaffected parties to those affected by notification errors, but these are not quantified.
E.ON	As we do not intend to make any changes ourselves we should only be impacted by the need to complete the additional field in any future ECVNA Authorisation Requests should P309 be approved.
GDF Suez Energy	We do not intend to implement a Replacement/Additive only flag on our ECVNA appointments and therefore there is no impact on our systems and procedures. However, should the proposed solution (retrospective) be implemented, there is a potential impact on GDF Suez in the event that any of our trading counterparties were to request a back-dated change of Replacement/Additional notification type. Before agreeing to such a change we would want to: i) Gain confidence that the retrospective change of notification type would have the desired effect on previous notification errors, and would not cause additional errors (see comments on legal text) ii) Form a contractual agreement with that counterparty in order that: a. Should the retrospective change cause previous errors to be corrected (i.e. as intended), any payments previously made between the parties in settlement of such errors will be reversed, b. Should the retrospective change cause new errors to be created (as is **not** intended but is potentially possible), the counterparty would agree to repay to us any additional imbalance charges that became due. It is expected that such an agreement would be formed in the period between approval and implementation of the modification.

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Respondent	Response
RWE Npower	The modification proposal would improve the process for contract notification. We do not envisage that there would be significant impacts on our organisation, though there will be minor changes to our internal processes.
ScottishPower	There are no impacts on us as a result of either the Proposed or Alternative Modifications.
SmartestEnergy	If we have understood this correctly there will be none.
SSE plc	P309 proposed would result in a loss of residual cashflow revenue were it to be applied in the way that we would expect it to be applied, as out-of-the-money imbalance positions are corrected, creating regulatory and financial uncertainty. Administrative effort will be required to help complete necessary paperwork with any counterparties wishing to use the proposed solution. P309 alternative will require administrative support help any counterparties wishing to use the alternative solution. SSE are likely to retain its existing mode of operation in the first instance (effectively additive and overwrite) so would not anticipate large scale change upon implementation.

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Question 10: Do you have any further comments on P309?

Summary

Yes	No
2	5

Responses

Respondent	Response	Comments
EDF Energy	No	None at this time.
E.ON	Yes	While P309 Alternative might appear a fairly simple change to enable parties to build a safeguard into their processes, parties considering making changes to their Authorisations (and potentially if a retrospective change, their notifications), must have due regard for the impact on counterparties of any changes considered. Otherwise, there is a danger that changes undertaken through P309's provision increase rather than decrease risks within the notification process. Obligations under existing Grid Trade Master Agreements with other parties may include an ECVNA Authorisation. For instance a condition of a GTMA between two parties may be that one is the default Notifier of any trades between the two, but that the counterparty must have the back-up ability to make nominations, i.e. to notify the trade should, say, the default Notifier have an IT problem. It is not one party's job to tell another how to run their systems. However, any party considering changing their Authorisations must ensure that they could still fulfil any such fall-back notifying agent role under all their GTMAs.
GDF Suez Energy	Yes	We believe that the retrospective proposal is potentially highly destructive to unwary participants. The uncertainties regarding how the exact legal text relate to the previously submitted ECVNs (which cannot be re-submitted) could cause correct notifications to be retrospectively rejected, without the ability to make new correcting submissions. This may have undesired and very expensive consequences as a whole year of imbalance could be created. How this would interact with the BSC's credit cover requirements is uncertain.
RWE Npower	No	-
ScottishPower	No	-

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Respondent	Response	Comments
SmartestEnergy	No	-
SSE plc	No	-

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GDF Suez Energy
APPENDIX: Comments on Legal Text and interaction with notifications

2.3.5

This is picking up an issue with the present drafting, which imposes problems with this modification – 'valid' and 'submitted' are the wrong way round in clause 2.3.5. With the proposed text, the definition of 'valid' depends on this clause, which then only applies to a valid ECVN – so the definition becomes circular. It is also comparing a new notification to any previous **submitted** notification, regardless of whether the earlier notification was valid or not and to whether or not it is still effective or not. The text should be:

Where a ~~valid~~ submitted Energy Contract Volume Notification (the "second" such notification) is submitted for which the relevant Energy Contract Volume Notification Agent, Energy (From) Account and Energy (To) Account are the same as those for an earlier ~~submitted~~ valid Energy Contract Volume Notification (the "first" such notification):

Note also comments below where it is suggested that *valid* may need to change to *effective*.

2.3.4

Clause 2.3.4 describes what turns a submitted ECVN into a valid ECVN (and so correctly adds new criteria relating to replacement/additional). Note that, under the present drafting, if a notification is replaced (as in 2.3.5 (a)) then the first notification does not cease to be a 'valid' notification – it just ceases to be in force for some or all of the settlement dates that were originally covered. This may be important when considering the potential working of this modification.

2.3.5 (again)

The definitions of 'Replacement' and 'Additional' notifications are probably not sufficient. Issues are:

We only ever reach 2.3.5(a) or (b) when there is a second notification for an ECVNA. This means that the first notification ever made by a new ECVNA will not be 'Replacement' or 'Additional' and so may never be accepted if one of the new boxes is ticked for a new ECVNA (note that the modification assessment did specify that a 'first' notification would not be rejected, but the text does not seem to achieve this).

2.3.5(a) says that we are looking at when the second notification specifies (pursuant to 2.3.2(c)(i)) that it is to replace the first – this in turn references BSCP71, where the relevant paragraph is 4.16.3 – and this says that the criterion is that the ECVN identifier is the same. So the reasonable interpretation is that 2.3.5(a) operates where the ECVN identifier is the same as an earlier valid notification.

In addition to having the same identifier, the 2nd notification must overlap (or precede) effective dates with the first in order to be 'Replacement'. Otherwise it is 'Additional'. This means that a replacement ECVNA, who uses the date as the ECVN identifier, will have the first notification for each date defined as an Additional notification which will then not be valid under the present drafting!

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Some Suggestions

We need to get definitions for notifications that are:

- 'submitted' – it has been sent and received
- 'valid' – it was accepted when submitted as it satisfied the criteria in 2.3.4 (which include the new criteria resulting from this modification). The validity of a notification will never change (unless the retrospective P309 is approved).
- 'effective' – this will apply in relation to a notification and to a settlement period - it was valid on submission and has not been replaced (or nullified) for that date / period via 2.3.5 (a). An effective notification for a settlement period may cease to be effective at any time up to gate closure for that settlement period.

We then need to define **three** classes of submitted notification:

- A 'Replacement' notification is a submitted notification which, if it were to be considered valid (assuming the new criteria in 2.3.4(d) are not applied) would have the effect of causing an earlier effective notification to cease to be effective for any settlement period pursuant to clause 2.3.5(a).
- An 'Additional' notification is a submitted notification which, if it were to be considered valid (assuming the new criteria in 2.3.4(d) are not applied) would be effective on any settlement date that already has an effective notification, when such earlier notification continues to be effective (i.e. is not replaced by the new notification under 2.3.5(a))
- An 'Initial' notification is a submitted notification which, if it were to be accepted (assuming the new criteria in 2.3.4(d) are not applied) would not be a 'Replacement' notification or an 'Additional' notification.

Note that this recognises that a notification to be classed as both 'Replacement' and 'Additional' as it could replace the volumes on one settlement date and add to them on another settlement date (as in RWE's error when a notification was made without an effective-to date). Also the new definition of an 'Initial' notification would cover the first ever notification by an ECVNA (the only notification uncategorised by the suggested drafting) and also other notifications (if no previous notification existed for any if the days covered).

The comparison of a new notification with only effective notifications (rather than valid ones) is necessary – otherwise a cancelled open-ended notification may cause all future notifications to be classified as Replacement.

The new criteria for P309 should then be versed in terms of what notifications are **not** valid rather than those that are valid – note that this is actually more consistent with the wording of the Modification Proposal than the suggested drafting. So if an ECVNA is a Replacement ECVNA, then any Additional notification will not be valid, and similarly for Additional ECVNAs. So this means that Initial notifications will always be valid for all ECVNAs. This overcomes the problem of getting the first notification for a settlement date accepted for a Replacement ECVNA (and also the first notification ever for a new ECVNA).

It has been stated that this modification could cause highly undesired effects. To give a specific example relating to the error that prompted this modification proposal – notifications were made without an effective-to date (but with the correct ECVN identifier). The proposed drafting would define this as a Replacement notification, which would be accepted for a Replacement ECVNA. However the open-ended ECVN is still effective (albeit with zero volumes) – this could mean that any date which had not had a correct

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daily notification made at the time of the erroneous open-ended notification, would then have such daily notifications rejected, as they would be defined as Additional to the erroneous ECVN. Since a Replacement ECVNA would normally notify up to 7 days ahead, this is likely to be all days from 8 days ahead. So if the retrospective modification was approved, then it may correct the issues on 13-14 May 2014, but could then cause all days from 21 May 2014 to be in error.

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