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24 February 2005

Dear David

BETTA Contingency Arrangements

This is the response from ELEXON Limited to the Ofgem/DTI consultation "BETTA Go-live and contingency planning" dated 18 February 2005. ELEXON has a few specific comments as follows.

Progressing with implementation of BETTA

ELEXON supports the Ofgem/DTI view that, if a contingency event occurs after designation of the BETTA Effective Date, it is more likely to be appropriate that BETTA still takes effect from the planned BETTA go-live date than to delay the implementation of BETTA. We agree with the suggestion that the consequences of the contingency event are likely to be best addressed under the enduring BETTA arrangements. Any delay to BETTA is likely to cause additional disruption to Settlements under the BSC (see point below).

BETTA deferral and BSC "point of no return"

However, if BETTA is deferred, ELEXON notes that the BSC Settlements "point of no return" in preparing for the implementation of BETTA is earlier than for the "short notice" delay scenario, when the introduction of a single imbalance price is contemplated.

This Settlements point of no return is 15 March 2005 for a planned 1 April 2005 BETTA go-live date.

If the deferral were notified on or after this point of no return, then we would proceed to implement BETTA in BSC Settlements as if the go-live date had not been delayed. ELEXON has not incurred costs or allocated resources to introduce new systems and processes that would enable a late notice change of BETTA go-live date to be handled in a low-risk, streamlined way. An attempt to back out from the arrangements in response to a last minute delay would have high associated risks.

Therefore, if the deferral were notified on or after the point of no return, BSC Settlements would be run with Scottish data for Settlement Days from the originally planned go-live date until the revised go-live date. This assumes that the deferral is relatively short, that is no more than a few days. Different arrangements might need to be developed for a significant period of delay.

For those days after the originally planned go-live date which will then have then been incorrectly settled with Scottish data, Settlements would be corrected via the existing BSC disputes process. In addition, the Anglo-Scottish Interconnector would need to be re-instated in BSC Settlements (and commercially) for those days.

Leaving aside the issue of Energy Contract Volume Notifications, we believe that no amendments to the BSC would be required to allow the disputes process to correct such Settlement Runs. However, such disputes might take considerable resource and time to administer.

Energy Contract Volume Notifications are clearly the exception, given that these are beyond the scope of the Settlements disputes process and cannot anyway be identifiably linked with any particular geographical area. Under the current BSC, it would not be possible therefore to “correct” Energy Contract Notifications which were based on Parties’ expectations of the implementation of GB Settlements. (Metered Volume Reallocation Notifications will not present the same issue, as these notifications are related to specific BM Units.)

Energy Contract Volume Notifications and the two solutions identified by Ofgem/DTI

We note the two solutions identified by Ofgem/DTI to alleviate the potentially adverse consequences on BSC Parties’ notified energy contract positions. ELEXON believes that either solution, if adopted, would require amendments to be made to the BSC.

Just as no specific actions have been taken or costs incurred by ELEXON in developing new systems or processes for a late notice change of BETTA go-live date, neither have we assessed what detailed Code-level drafting might be required to support contingency actions. However, although further work would be required to define what precise changes are necessary or appropriate to cover Energy Contract Notifications, we believe that changes are likely to include the following.

Solution (i): BSC Parties able to revise their notified contract positions ex-post

- The addition of provisions so that this particular solution applies in the circumstances of a BETTA deferral.
- The addition of provisions to define, or enable the setting of, the period of time over which revised contract positions can be notified and the Settlement Periods for which revisions can be made.

Solution (ii): Single Imbalance Price

- The addition of provisions defining the circumstances under which a single imbalance price will apply, as it appears unlikely that the existing trigger events set out in the BSC will enable the implementation of a single imbalance price in the case of a BETTA deferral.

- The addition of provisions to define, or allow the setting of, the period of time over which the single imbalance price is to apply.
- Consequential changes may also be needed to BSC Section T1.6.

Specific comment on the single imbalance price solution

The current BSC provisions (section T1.6) oblige the BSC Panel to set the single imbalance price where one is required. In particular, T1.6.2 requires that "the Panel shall determine, in its opinion, subject to the approval of the Authority, what is or would have been the market price for bulk electricity in the relevant Settlement Period" where "bulk electricity means electricity traded under contracts which may be [notified] in accordance with Section P".

Thus under the existing provisions, it would be the Panel that sets the price and the Panel would be constrained to consider the market price as it would have been (for England and Wales). It would not be required to consider the impact upon Parties of having traded contracts in the expectation of an earlier BETTA implementation, nor the impact of a single imbalance price on Parties trading in any particular manner, e.g. within Scotland or between Scotland and England.

The Panel would need to understand what it would need to consider in setting the single imbalance price if the intention of this solution is to leave Parties relatively financially neutral to the deferred BETTA implementation. In addition, Parties trading in Scotland could have a different viewpoint on what price would leave them neutral as compared with those trading in England & Wales. For example, such Parties would need to consider what would happen to them under a continuation of the SAS and its prices. Different assumptions here could make a difference to the impact on Parties and the way in which the single imbalance price could be set.


It would seem appropriate that if the objective in setting a single imbalance price is different for a delay in BETTA than it would be under the existing contingency provisions, then the existing Code provision setting out the basis on which the Panel is to set the single imbalance price (if required) would need to be disappplied or amended. However, in setting a single imbalance price, the Panel can only be expected to act on the basis of information that is reasonably available to it and, as noted above, it may not be possible to set a single price that satisfies an objective of keeping all Parties roughly neutral to the delay in BETTA.

In conclusion

As ELEXON will need to plan to support any BSC proposals in this area, we would seek early confirmation of the option (if any) that Ofgem/DTI intend to pursue to cater for the possibility of a late notice change in the BETTA go-live date.

We hope you find these comments useful and we would be happy to discuss these issues further with you if that would be helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brian Saunders", with a large, sweeping flourish extending from the end of the name.

Brian Saunders
Chief Executive