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| Modification proposal: | <b>Balancing and Settlement Code (BSC) [P233 and P234]:<br/>Housekeeping Modification – Correction of SSL<br/>References, Letters of Credit, Definitions in Section X<br/>and Manifest Errors in P215 Legal Text (P233)<br/>Housekeeping Modification – Correction of Manifest<br/>Errors in P217 Legal Text (P234)</b> |                         |                                                   |
| Decision:              | The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>                                                                                                                                                                                                                                              |                         |                                                   |
| Target audience:       | National Grid Electricity Transmission Plc (NGET), Parties to<br>the BSC and other interested parties                                                                                                                                                                                                                   |                         |                                                   |
| Date of publication:   | 19 May 2009                                                                                                                                                                                                                                                                                                             | Implementation<br>Date: | P233 - 25 June 2009<br>P234 – 05<br>November 2009 |

## Background to the modification proposals

The BSC panel have proposed some housekeeping modifications to the BSC. The proposed modifications are intended, amongst other things, to reflect recent changes in service documents, and to correct errors in legal text. The background and proposed solutions to these modifications have been set out below.

### P233 Modification Proposals

#### *Replacement of SVAA Service Lines References*

The BSC Service Descriptions set out the business requirements that BSC Agents, appointed by Elexon<sup>3</sup>, have to follow to meet their contractual obligations. Elexon reviewed these documents and a new Supplier Volume Allocation Agent (SVAA) Service Description was produced to replace the existing seven SVAA Service Lines (SSLs).

In Section S of the current version of the BSC there are references to the SVAA Service Lines. It is proposed that these be replaced by references to the BSC Service Description. Annex X-1 of the BSC also has 'SVAA Service Line' as a defined term. It is proposed that this term be removed as it will not be used in Section S or anywhere else within the BSC. It is noted that no new obligations on BSC agents are added by this proposal. Instead the proposal reflects an amalgamation of the requirements of the SSLs.

#### *Letters of Credit*

BSC parties are required under the code to lodge credit with the Funds Administration Agent (FAA). Parties can either lodge cash as credit or submit a letter of credit. Currently parties can submit a letter of credit that is subject to the Uniform Customs and Practice for Documentary Credits, 1993 Revision, ICC Publication No.500 (UCP500). However, although UCP500 is still accepted by banks it is being superseded by new rules governing letters of credit.

The BSC Panel<sup>4</sup> at its December meeting approved the use of two new types 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) or a letter of credit subject to

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> The role and powers, functions and responsibilities of Elexon are set out in Section C of the BSC.

<sup>4</sup> The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC.

International Standby Practices 1998 published by the International Chamber of Commerce (ISP98).

Under the modification proposal the form of these two types of letters of credit will be inserted into two separate Annexes to Section M of the code. It is proposed that UCP500 in annex M-1 be updated to provide consistency and clarity between it, and UCP600 and ISP98.

It is also proposed that a typographical error that was introduced during implementation of Modification Proposal 214 (Issues Relating to Funds Administration<sup>5</sup>) be corrected. Namely the date reference relating to UCP500 was inadvertently changed from 1993 to 1997.

#### *Addition of two defined terms*

The definitions of two capitalised terms 'Replica Settlement Day' and 'Specimen Settlement Day' in Section S of the BSC were not transferred over from the Pooling and Settlement Agreement to the BSC at the National Electricity Transmission Arrangements (NETA) Go-Live date. Also, the term 'Replica Settlement Day' is in Annex X-1 but it only refers the reader to a paragraph in Section S which describes how to use the 'Replica Settlement Day' rather than defining what it is.

The modification proposes that definitions for 'Specimen Settlement Day' and 'Replica Settlement Day' be inserted into Annex X-2 which provide Defined Terms specifically for Section S, as the terms are not used anywhere else in the BSC. It is also proposed that the term 'Replica Settlement Date' shall be removed from Annex X-1 to avoid any confusion it may cause.

#### *Correction of errors in Modification Proposal 215<sup>6</sup> (Revised Credit Cover Methodology for Generating BM Units) text*

Errors have been identified in the legal text for P215 relating to the new Metered Energy Indebtedness (MEI) calculation. The MEI calculation was introduced 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 current drafting of the BSC legal text in Section M1.2.B(b) specifies that the BSC use the less accurate CAQCE data. However the drafting is incorrect as this paragraph relates to circumstances when the required data for MAQCE is available and should therefore be used.

It is therefore proposed that the current text be corrected so that the MAQCE calculation is the one used in paragraph M1.2.B(b). It is also proposed that paragraph M1.2.B(c) be

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<sup>5</sup> P214 decision letter -

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=56&refer=Licensing/ElecCodes/BSCode/BS C>

<sup>6</sup> P215 decision letter -

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=56&refer=Licensing/ElecCodes/BSCode/BS C>

modified to make clear that where MAQCE data is not available the CAQCE data should be used.

The proposer feels that the current BSC text is incorrect as the intention of P215 was always to use the more accurate MAQCE data whenever possible. Therefore the proposed changes have been raised as a housekeeping modification.

### **P234 Modification Proposals**

A number of typographical errors have been identified in the legal text for P217<sup>7</sup> (Revised Tagging Process and Calculation of Cash-out prices). These include a cross referencing error, an algebraic inconsistency and stylistic changes.

#### *Cross referencing error*

There are two incorrect cross-referencing errors in Annex T-1 which were inherited from a previous version of the draft legal text for P217.

The modification proposes that the text in Section T be corrected to cross-reference the correct paragraphs in Annex T-1 15.3 and 15.4.

#### *Algebraic inconsistency*

There is an inconsistency, inherited from an old version of the draft P217 legal text, between the text of an algebraic term and the superscript in its formula. It is proposed that the superscript in paragraph 15.5(b) of Annex T-1 be corrected.

#### *Stylistic changes*

Annex T-1 has a number of formulas in it. A number of stylistic changes have been suggested in order to improve the clarity of the equations and makes them easier to use. These are only stylistic changes as the equations in their current form would work correctly without the modifications.

It is proposed that some of the formulas will have brackets removed. In addition it is proposed that an unnecessary absolute value sign should be removed for clarity.

#### *Implementation timetables*

The reason P233 and P234 have been separated into two modification proposal is because P215 will be implemented in the June 2009 Release, whilst P217 will be implemented in the November 2009 release. A modification cannot have multiple implementation dates and legal text cannot be amended until the associated Modification is implemented.

The BSC panel raised these modification proposals in order to correct minor inconsistencies and errors and to make consequential changes. The panel considered that the modifications were housekeeping proposals. The panel believed that these modifications will facilitate relevant objective d<sup>8</sup> of the BSC as they will reduce the potential for confusion and promote transparency and efficiency.

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<sup>7</sup> P217 decision letter -

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=121&refer=Markets/WhlMkts/CompandEff/CashoutRev>

<sup>8</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence, see:

[http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=4151](http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151)

## **BSC Panel recommendation**

The BSC Panel unanimously recommended implementation of the Proposed Modifications P233 and P234 at its meeting on 9 April 2009.

## **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 9 April 2009. The Authority has considered and taken into account the responses to Elexon's consultation which are attached to the FMR<sup>9</sup>. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the BSC<sup>10</sup>; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>11</sup>.

## **Reasons for the Authority's decision**

We note, and agree with, the unanimous view of the Panel and those Parties who expressed a view that these modification proposals are housekeeping modification and should be made as they should better facilitate relevant objective (d).

One respondent to the P233 industry consultation felt that the proposed definition for Specimen Settlement Day was ambiguous in that it could be interpreted in two different ways. We agree with Elexon's opinion that although the respondent is correct that the term is ambiguous, the intention of P233 was to transfer the original definition from the Pooling and Settlement Agreement used at NETA Go-live (which was the point at which the definition should have been transferred but was not) into the BSC as it stands. If the definition were to be changed then this would be outside the scope of P233 and would mean that the modification could not be considered a housekeeping modification. We feel that this is an issue that should be taken up outside of this modification proposal. The same respondent also queried whether Section M paragraph 1.2.1 (f) (ii) and (iv) should both refer to data received **from** CDCA rather than **by** the CDCA. However, this comment also related to changes to the approved P215 legal text that are not within the scope of P233.

A respondent to the P234 consultation commented that the formula in Annex T-1 paragraph 15.5 (b), could benefit from the addition of brackets, to aid understanding. We agree with Elexon that since the equations work as drafted in the approved P217 legal text and there is not likely to be any confusion caused by the lack of brackets, no change is required.

*Objective (d) – promoting efficiency in the implementation and administration of the balancing and settlement arrangements*

We feel that the aim of these modification proposals is to improve the transparency of the BSC and by correcting the identified errors should also reduce the risk of

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<sup>9</sup> BSC modification proposals, modification reports and representations can be viewed on the Elexon website at [www.elexon.com](http://www.elexon.com)

<sup>10</sup> As set out in Standard Condition C3(3) of NGET's Transmission Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=4151](http://epr.ofgem.gov.uk/document_fetch.php?documentid=4151)

<sup>11</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

misinterpretation, therefore increasing the efficiency of the arrangements underlying the code as well. This should ultimately facilitate the achievement of relevant objective (d).

We are also satisfied that these modification proposals are consistent with the Authority's principal objective and wider statutory duties.

### **Decision notice**

In accordance with Standard Condition C3 of NGET's Transmission Licence, the Authority, hereby directs that modification proposal BSC233: *'Housekeeping Modification: Correction of SSL References, Letters of Credit, Definitions in Section X and Manifest Errors in P215 Legal Text'* be made on the 25 June 2009.

The Authority also directs that modification proposal BSC234: *'Housekeeping Modification: Correction of Manifest Errors in P217 legal Text'* be made on the 05 November 2009.

**Mark Feather**

**Director, Industry Codes and Licensing**

Signed on behalf of the Authority and authorised for that purpose.