



## Final CP Report – CP1400

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<b>Date</b>	18 December 2013
<b>Purpose of paper</b>	For Information
<b>Summary</b>	This report provides details of the background, solution, impacts, industry views and the ISG's final views on its decision to approve Change Proposal (CP) 1400 'Amendment of the System Energy flag via BSCP18'.

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### 1. Why Change?

#### Background

Occasionally, the Settlement Administration Agent (SAA) needs to correct the Bid-Offer-Acceptance-Level (BOAL) file (Settlement data relating to energy volumes accepted) in the SAA system. BSCP18<sup>1</sup> defines the process for amendment.

Modification Proposal [P217](#)<sup>2</sup> introduced a process for the System Operator (SO) to flag individual Bid-Offer Acceptances (BOAs) in real time if accepted for system reasons. BOAs that are flagged through this process are First-Stage Flagged System Actions, subject to its order in the ranked sets of System Actions it may become unpriced in the cash out price calculations. On implementation of P217, the BOAL file was modified to incorporate a system flag, which takes the value of 'True' or 'False', and the file renamed as BOALF (Bid-Offer-Acceptance-Level-Flagged).

The P217 Workgroup viewed this flagging solution as a pragmatic way to reduce pollution of cash out prices by system actions. However at this time, the resource implications of real time flagging by the SO were not fully quantifiable and thus amendment of the flag to correct errors was not envisaged by the P217 Workgroup. As a result, BSCP18 does not allow the later correction of the system flag if an error occurs at the time of issue.

#### What is the issue?

As part of P217, Ofgem introduced a licence condition for National Grid to produce a System Management Action Methodology (SMAF) statement<sup>3</sup> as well as placing the requirement on National Grid to review the flagging process and produce a report detailing the accuracy of the SMAF process on an annual basis.

The report for the period 1 May 2011 to 30 April 2012 found that the potential flagging error is around one-percent of all BOAs issued<sup>4</sup> and that there is no material impact on system buy and sell prices. This finding is

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<sup>1</sup> 'Corrections to Bid-Offer Acceptance Related Data'

<sup>2</sup> 'Revised Tagging Process and Calculation of Cash Out Prices'

<sup>3</sup> Document which sets out situations under which National Grid will flag BOAs as system actions.

<sup>4</sup> Page 19 - <https://www.ofgem.gov.uk/ofgem-publications/40803/p217a-preliminary-analysis.pdf>



consistent with previous reports, which also found no material impact on system prices following flagging errors. However, the report for the period 1 May 2012 to 30 April 2013 identified a flagging error, which caused a significant impact on cash out prices. Whilst this flagging error was identified shortly after it occurred, no process currently exists to address incorrect flagging.

A process to correct a SO-flag error is also needed in light of Ofgem's [Electricity Balancing Significant Code Review \(EBSCR\)](#) under which the cash out price may be set by the marginal MWh.

National Grid raised CP1400 'Amendment of the System Energy flag via BSCP18' on 6 September 2013 to progress a solution.

## 2. Solution

The CP proposes to amend BSCP18 (and the associated Settlement systems) to allow National Grid to submit an amended BOALF file that has the SO-flag field corrected from 'True' to 'False' (and vice versa). Attachment A contains the full proposed redlined changes to BSCP18.

### What are the proposed benefits of the change?

The Proposer believes that CP1400 will improve process efficiency by allowing it to amend incorrect system flags, which have a material impact on system prices. It will also ensure that cash out prices more accurately reflect energy prices and are not polluted by system costs.

### Related changes

#### Amendments to the SMAF statement

The SMAF statement would need to be revised to enable National Grid to amend incorrect SO-flags applied to BOAs and specify under what conditions this would be carried out. Such changes to the SMAF statement will include a consultation with industry parties. Following this, National Grid will produce a report for Ofgem summarising industry views on the proposed change. Ofgem will then ultimately have to approve any change to the SMAF statement.

#### CP1392

[CP1392](#)<sup>5</sup> relates to CP1400. CP1392 amends the automated interface from National Grid to the Balancing Mechanism Reporting Agent (BMRA)/SAA to allow automated corrections of BOA data in the BMRA and SAA databases (once agreed with the Lead Party in accordance with BSCP18). The ability to change the SO-flag through an automated process as proposed under this new CP will be captured by the automated amendment process that CP1392 will deliver once implemented on 26 February 2015 as part of the February 2015 BSC Release. However, in the interim, the SO will amend SO-flags manually.

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<sup>5</sup> 'BSCP18 Bid-Offer Acceptance Related Data Corrections to the SAA system via Electronic File Transfer method (BMRA-I002) instead of manual Email method (SAA-I033).'



## 3. Impacts and Costs

### Central impacts and costs

The impacted documents and systems are set out below:

Potential Impacts	
Document Impacts	System Impacts
BSCP18	Balancing Mechanism Reporting Service (BMRS), Settlement Administration Agent (SAA)

The estimated ELEXON effort and Demand Led system change costs to implement CP1400 are set out in the table below:

ELEXON Costs		
ELEXON effort	Demand Led System Changes	Total
25 man days equating to £6,000	Approximately £29,500 if completed as a standalone release (N.B. the cost may be less if implemented alongside other similar changes).	<b>Approximately £35,500</b>

The system change costs include updates to the BSC Systems which are required to allow the flow-through of the BOA file change and recalculation of system prices based on updated data. The SAA systems will have to handle amendments to the SO-Flag as part of the received BOALF file and incorporate changes in the final cash out calculations. Additionally, the updated BOA data will need to be published via BMRS as it is received from the SO.

### Participant impacts and costs

The Proposer of CP1400 was the only respondent to the CP Impact Assessment that indicated an impact. They advised that this will involve business process changes, as they will be the ones submitting data with amended flags in the event that incorrectly flagged BOAs are identified.

The other five respondents indicated no impact, and therefore identified no associated costs.

## 4. Implementation Approach

CP1400 is targeted for implementation on 26 June 2014 as part of the June 2014 BSC Release.



## 5. ISG Initial Views

ELEXON presented the New CP Progression paper for CP1400 to the ISG at its September 2013 meeting ([ISG149/09](#)).

An ISG Member asked whether the BSC allows for SO-flag changes. ELEXON confirmed that there is currently no process to allow for such changes.

An ISG Member commented that BSC Parties should be made aware that changing flags will potentially have an impact on prices, which will affect BSC Parties. An ISG Member confirmed that there is a two-stage process in relation to this change. Stage one (if CP1400 is approved) would introduce the mechanics of the process of how to change a flag. But, under stage two, the actual implementation by National Grid of amended flag submissions will not be introduced until it has updated the SMAF (which currently precludes the amendment of flags). The process to amend this document is set out in National Grid's Transmission Licence. This will include a formal National Grid consultation to seek industry views on the merits of the change (including materiality and impact on parties) and a report to Ofgem, which will ultimately approve or reject a change to the SMAF document. National Grid will issue the SMAF consultation later this year and so there will be no impact on prices until the process (if approved) is introduced under the SMAF consultation, under which parties will have an opportunity to input into.

## 6. Industry Views

ELEXON issued CP1400 for CP Impact Assessment via CPC00732. We received six responses, of which three agreed with the CP and three were neutral.

The following table shows the breakdown of responses. You can find the full collated participant responses to CP1400 in Attachment B and on the [CP1400](#) page of the BSC Website.

### Summary of responses for CP1400

Organisation	Capacity in which organisation operates (Supplier, Licenced Distribution System Operator (LDSO) etc.)	Agree?	Impacted?
British Gas	Supplier	Yes	No
EDF Energy	Supplier, Non Half Hourly (NHH) Data Collector (DC), NHH Data Aggregator (DA)	Yes	No
National Grid	Transmission Company	Yes	Yes
npower	Supplier and Supplier Agents (Half Hourly (HH) and NHH)	Neutral	No
ScottishPower	Generator, Supplier, LDSO, NHHDA, NHHDC	Neutral	No
TMA Data Management Ltd	NHHDC, NHHDA, HHDC and HHDA	Neutral	No



There is an impact on one respondent to the consultation (National Grid), as described in Section 3. The respondent commented that the initial flagging methodology was set with no provision for retrospective changes to the system flagging for Balancing Mechanism (BM) actions, which was due to the uncertainties in the number and frequency of flag action changes required and the resource implications. However, the respondent believes that experience in the operation of the flagging methodology and potential future industry changes (e.g. more marginal Price Average Reference Volume (PAR)) supports the introduction of a process whereby flags assigned (or not assigned) in error can be corrected post event.

No other respondents are impacted by or made any further comments on CP1400.

### Comments on the proposed redlining

No comments were received on the proposed redlined text for CP1400.

## 7. Final Decision

### ISG's Final Views and Decision

**ELEXON presented CP1400 to the ISG at its meeting on 26 November 2013 for approval<sup>6</sup>.**

ELEXON presented the background, solution, impacts and industry views for CP1400. ELEXON invited the ISG to approve CP1400 for implementation in the June 2014 Release.

An ISG Member added that the CP is involved as part of National Grid's System Management Action Methodology (SMAF) change. The ISG Member commented that National Grid will be issuing a consultation in the next month following which the SMAF changes will be presented to Ofgem for decision.

### Final Decision

The ISG approved CP1400 for implementation on 26 June 2014 as part of the June 2014 BSC Release and agreed the proposed amendments to BSCP18.

### Attachments:

Attachment A – BSCP18 Redlining v1.0

Attachment B – CP1400 Consultation Responses

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<sup>6</sup> Further information on this meeting, including the CP1400 paper, can be found on the ISG151 page of the BSC Website [here](#).



# Final Report

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