

## Responses from P122 Assessment Consultation

Consultation issued 4 June 2003

Representations were received from the following parties:

<b>No</b>	<b>Company</b>	<b>File Number</b>	<b>No. BSC Parties Represented</b>	<b>No. Non-Parties Represented</b>
<b>1.</b>	NGT	P122_ASS_001	1	0
<b>2.</b>	LE Group	P122_ASS_002	9	1
<b>3.</b>	Aquila Networks	P122_ASS_003	1	0
<b>4.</b>	BizzEnergy	P122_ASS_004	1	0
<b>5.</b>	British Gas Trading	P122_ASS_005	1	0
<b>6.</b>	Powergen	P122_ASS_006	15	0
<b>7.</b>	Innogy	P122_ASS_007	9	0

**P122\_ASS\_001 – NGT**

<b>Respondent Name:</b>	National Grid Transco
<b>No. of BSC Parties Represented</b>	One
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	National Grid
<b>No. of Non BSC Parties Represented</b>	None
<b>Non BSC Parties represented</b> <i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>	N/A
<b>Role of Respondent</b>	other – please state BSC Party

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1	Do you agree that holiday periods should be limited to the Christmas-New Year period and Easter period as described in the document? Please give rationale	Yes	We agree that the pragmatic solution is to start with the two National holidays as credit is assessed on a National basis and that the other holidays noted in the consultation are only common to certain geographic locations. However, we also note that the Panel will be able to change or add to the holiday periods during the annual consultation.
2	Do you agree with the SSMG view that the rules for assigning a holiday CALF value should be in the CALF Guidelines? Please give rationale	Yes	We note that the consultation document does not give an alternative option as to where the rules may be, but we believe that the CALF guidelines is the appropriate place. Putting the rules within the Code would be far too prescriptive and would create an anomaly with the existing rules.
3	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P122? Please give rationale.	Yes	We agree that option B of clarifying the material doubt process via guidelines or a BSCP will make the process more transparent to parties whilst not constraining the BSCCo. We also note that Option B requires no modification to the BSC.

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
4	Do you support the implementation approach described preferred by the Modification Group? Please give rationale	Yes	The implementation approach blends the needs to remove the defect identified in P122 and the materiality of its application. We especially note the Proposers statement that P122 would only affect a few BSC Parties and that the processes would only be triggered occasionally.
5	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	We note the possible alternative discussed within the SSMG. However, we believe that the preferred approach gives the best solution encompassing a mixture of system changes and procedural changes.
6	Does P122 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
7	Do you believe Proposed Modification P122 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We believe that P122 better facilitates applicable BSC objective (c) namely "promoting effective competition in the generation and supply of electricity" by removing a barrier to certain Industrial and Commercial Suppliers.
8	Are there any further comments on P122 that you wish to make?	No	

**P122\_ASS\_002 – LE Group**

<b>Respondent Name:</b>	<b>Harish Mistry</b>
<b>No. of BSC Parties Represented</b>	<b>9</b>
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	LE Group plc, London Electricity plc, Jade Power Generation Ltd, Sutton Bridge Power Ltd, West Burton Power, London Power Networks plc, EPN Distribution Ltd, Seeboard Power Networks plc, Seeboard Energy Ltd,
<b>No. of Non BSC Parties Represented</b>	1 (this is a BSC Party Agent)
<b>Non BSC Parties represented</b> <i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>	<b>ECS Metering &amp; Data Services</b>
<b>Role of Respondent</b>	<b>Supplier / Generator / Party Agent / Distribution Business</b>

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1	Do you agree that holiday periods should be limited to the Christmas-New Year period and Easter period as described in the document? Please give rationale	Yes	
2	Do you agree with the SSMG view that the rules for assigning a holiday CALF value should be in the CALF Guidelines? Please give rationale	Yes	
3	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P122? Please give rationale.	Yes	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
4	Do you support the implementation approach described preferred by the Modification Group? Please give rationale	Yes	
5	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
6	Does P122 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
7	Do you believe Proposed Modification P122 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	
8	Are there any further comments on P122 that you wish to make?	No	

**P122\_ASS\_003 – Aquila Networks**

Hello,

Please find that Aquila Networks Plc response to P122 & P123 Assessment Consultation is 'No Comment'.

regards  
Rachael Gardener

Deregulation Control Group &  
Distribution Support Office  
AQUILA NETWORKS

**P122\_ASS\_004 – BizzEnergy**

<b>Respondent Name:</b>	
<b>No. of BSC Parties Represented</b>	1
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	BizzEnergy
<b>No. of Non BSC Parties Represented</b>	
<b>Non BSC Parties represented</b> <i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>	
<b>Role of Respondent</b>	Supplier

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree that holiday periods should be limited to the Christmas-New Year period and Easter period as described in the document? Please give rationale	No	As there is to be an annual consultation on holiday periods, there is no need to be prescriptive in the Code as to which periods will constitute holiday periods – presumably analysis of demand patterns will be used to advise and decisions on holiday periods should be based on this.
2.	Do you agree with the SSMG view that the rules for assigning a holiday CALF value should be in the CALF Guidelines? Please give rationale	Yes	Holiday CALF is not intrinsically different from other periods other than the level of demand relative to seasonal peak and so should not be managed differently.

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
3.	<p>Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P122? Please give rationale.</p>	No	<p>Option B is flawed in one significant respect – it does not change the definition of material doubt under the Code. This definition (at M3.4.3(a)) states: "... material doubt as to whether, <i>at the time</i>, the systems and processes used by the ECVAA are giving correct determinations ...". This means that BSCCo has no vires to determine the materiality of doubt about information coming from the II-Run until a level 1 default notice has been issued. This interpretation of the Code is the legal advice given to SSMG.</p> <p>In process terms, this means that, although the II-Run data comes available during a Business Day, it is not until midnight of that day, when the ECVAA processes the data that they can materially doubt it – when, typically, the loading of this poor data that replaces a days worth of CEI data tips the affected Party into level 1 default.</p> <p>The situation worsens because, frequently, the data drives the affected Party straight into level 2 default for which there is no Cure Period. The lack of a Cure Period (a period which always covers a banking day) means that, unless material doubt can be declared almost immediately, the affected Party is forced to use the limited time available to acquire additional credit cover because the risk of waiting until only, maybe an hour before the banks close on the gamble that material doubt will be declared is not sustainable. The Option as described therefore fails to address a fundamental defect identified in the Modification Proposal.</p>



	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
4.			<p>However, if material doubt can be redefined to apply at the time the data becomes available (noting that data for any day in an II-Run will not alter until the SF-Run, which is always outside the 29-day credit cover window), then its impact can be assessed for the affected Party before the data is used by the ECVAA. The difference between the calculation that the ECVAA will make (when the data is loaded at midnight) and the results derived from an alternative methodology can be expressed as a percentage of credit cover for the day (and for all the days covered by AEI calculation) allows BSCCo to assess in minutes whether the Credit Cover Percentage can be assessed as below the threshold once the default notice is submitted by the ECVAA.</p> <p>With this fundamental change – defining material doubt as applying when the data becomes available, with only the declaration of material doubt being reserved until receipt of the level 1 default notice – Option B would be broadly acceptable.</p> <p>However, it should be emphasised that the objectives of the proposal are only achievable if the decision as to how the data should be treated is made before the problem materialises. This brings us very close to Option C anyway (although the flow diagram in Annex A1.7 does not seem to accord with the description in the text).</p>

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
5.	Do you support the implementation approach described preferred by the Modification Group? Please give rationale	Mainly	The answer to this depends on the processes used for assessment of material doubt. An approach that does not require a change to Central Systems should allow an implementation in time for Christmas and should be cheaper to implement if not too many parties are affected. But this will be of no benefit unless the material doubt as to the calculation of AEI can be declared before the affected Parties are forced into acquiring unnecessary additional credit cover.
6.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
7.	Does P122 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
8.	<p>Do you believe Proposed Modification P122 better facilitates the achievement of the Applicable BSC Objectives?</p> <p>Please give rationale and state objective(s)</p>	Yes	<p>The proposal facilitates competition by allowing Parties with specialist portfolios to maintain a more appropriate level of credit cover. This reduces their costs, thereby encouraging niche competitors and lowers the cost of market entry for new suppliers.</p> <p>Management of operations under the Code is facilitated where BSCCo is allowed to pre-empt level 1 default notices for specific parties by assessing material doubt when the data becomes available rather than when the data is used by the ECVAA (usually at midnight). This will allow assessment of material doubt in business hours using considered information rather than the intensive and imprecise process currently required due to the timescales.</p>

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
9.	Are there any further comments on P122 that you wish to make?	Yes	<p>The assessment of Option C given in responses to the Requirements Specification seems to be at odds with the description of the process given in paragraph 2.4.3 leading to some spurious conclusions. The process described is essentially a means of assessing the materiality of material doubt and as such does not change the essential nature of material doubt. Therefore:</p> <p>The assessment by Logica that a systems change associated with the case of the level 2 default notice is entirely spurious because it will be BSCCo that will be using the processes to materially doubt the results of the ECVA calculation just as at present –BSCCo currently takes on the assessment as to whether to authorise level 1 and level 2 default notices without additional central systems processing.</p> <p>BSCCo should be utilising tools such as TOMAS now in order assess level of materiality in material doubt calculations. Otherwise the process is entirely haphazard.</p> <p>The true choice between Option B and Option C for material doubt assessment is the degree of visibility of the process to third parties. Option B leaves greater discretion to BSCCo in implementation of material doubt but essentially allows the same pre-emptive calculation. Given that the credit assessment processes are laid out in considerable detail under the Code so that all Parties have certainty about how they and others will be dealt with, there is a case to be argued whether third parties want the same degree of certainty as to the methodology for assessing material doubt where this is possible.</p>

**P125\_ASS\_005 – British Gas Trading**

<b>Respondent Name:</b>	Mark Manley
<b>No. of BSC Parties Represented</b>	1
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	British Gas Trading (BGT)
<b>No. of Non BSC Parties Represented</b>	N/A
<b>Non BSC Parties represented</b> <i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>	N/A
<b>Role of Respondent</b>	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree that holiday periods should be limited to the Christmas-New Year period and Easter period as described in the document? Please give rationale	Yes	<p>As stated in the requirement specification, credit is a national issue and Christmas and Easter are national holidays and therefore BGT concur that the holiday window should be limited. Also from an efficiency perspective BGT believe it is preferable to have only two holiday windows rather than having numerous windows that would be required to support regional holidays.</p> <p>The process required to support the implementation of holiday calf values (calculation of the values, the ability to appeal the value and implementation of Holiday CALF into central systems) will require an increase in workload. The additional workload and cost of allowing regional holidays would outweigh the benefits delivered by P122.</p>

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
2.	Do you agree with the SSMG view that the rules for assigning a holiday CALF value should be in the CALF Guidelines? Please give rationale	Yes	The holiday calf values should be seen by the industry as no different to seasonal calf values. To ensure consistency the rules for assigning holiday calf values should be incorporated into the CALF guidelines. This approach also provides the appropriate level of transparency for BSC Parties who request a holiday CALF value.
3.	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P122? Please give rationale.	Yes	<p>BGT is supportive of option B in line with the recommendation of the SSMG. The proposed solution will help to negate one of the main defects identified by the proposer, the excessive length of time it takes to cancel erroneous default notices. Improving the guidelines will assist Parties by illustrating what information they will need to provide to ELEXON in support their claim that they have been erroneously placed in Level 1 Credit Default. Parties who are anticipating entering Level 1 Credit Default erroneously will be able to submit data in advance of the Credit Cover Percentage (CCP) exceeding the 80 per cent threshold. This should assist ELEXON and allow them to call material doubt in a much shorter timeframe, as they will be able to undertake the majority of the necessary calculations in advance of the Level 1 default notice being issued. BGT would still expect ELEXON to validate the information provided by the appellant, as the decision to call material doubt must be based on credible information.</p> <p>Option B also has the added benefit of addressing the issue by providing a low cost implementation solution because no system changes are required.</p>

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
4.	Do you support the implementation approach described preferred by the Modification Group? Please give rationale	Yes	<p>BGT in general supports the proposed implementation approach but suggests a couple of minor amendments. BGT understand for reasons of consistency that the drafting of the BSC should reference the Panel as the appropriate body to set the Annual Holiday Periods. However, if this modification is approved BGT would expect this authority to be delegated to one of the BSC Panel sub committees.</p> <p>The implementation approach suggests undertaking industry wide consultation to agree what periods will qualify as a holiday period. BGT are unsure of what value will be derived from such a consultation. The BSC Panel sub committee that BGT are recommending this issue is delegated to is representative of the industry and BGT would expect the committee to be able to define the holiday window without the need for a consultation.</p> <p>BGT have also identified a potential area of risk in the process of replacing the seasonal CALF value with the holiday CALF value. The ECVAA will need to have robust processes in place to ensure that the correct values are in place for the correct Settlement Days.</p>
5.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
6.	Does P122 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
7.	Do you believe Proposed Modification P122 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	The Modification Proposal has identified a defect in the credit calculations that can result in a BSC Party being placed in Level 1 Credit Default erroneously. BSC Parties should not need to incur the costs of having to post inappropriate levels of credit cover. Therefore by addressing the defect which is causing BSC Parties to post excessive levels of credit can be seen to facilitate competition and therefore better facilitate Applicable BSC Objective (c).
8.	Are there any further comments on P122 that you wish to make?	No	



**P122\_ASS\_006 – Powergen**

<b>Respondent Name:</b>	Powergen
<b>No. of BSC Parties Represented</b>	15
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	Powergen UK plc, Powergen Retail Limited, Diamond Power Generation Limited, Cottam Development Centre Limited, TXU Europe Drakelow Limited, TXU Europe Ironbridge Limited, TXU Europe High Marnham Limited, Midlands Gas Limited, Western Gas Limited, TXU Europe (AHG) Limited, TXU Europe (AH Online) Limited, Citigen (London) Limited, Severn Trent Energy Limited (known as TXU Europe (AHST) Limited), TXU Europe (AHGD) Limited and Ownlabel Energy Limited
<b>No. of Non BSC Parties Represented</b>	
<b>Non BSC Parties represented</b> <i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>	
<b>Role of Respondent</b>	Supplier / Generator

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree that holiday periods should be limited to the Christmas-New Year period and Easter period as described in the document? Please give rationale	Yes	Initially. These are the critical periods where there are a number of low demand days in succession and therefore this issue is most acute. The problem does occur at other times too to a lesser extent. Therefore, it may be necessary to include other periods in due course.
2.	Do you agree with the SSMG view that the rules for assigning a holiday CALF value should be in the CALF Guidelines? Please give rationale	Yes	The rules should be set out to provide certainty and transparency.
3.	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P122? Please give rationale.	Yes	This would allow Elexon more flexibility to deal with circumstances as they arise, within certain tolerances.

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
4.	Do you support the implementation approach described preferred by the Modification Group? Please give rationale	Yes	
5.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
6.	Does P122 raise any issues that you believe have not been identified so far and that should be progressed as pare of the Assessment Procedure? Please give rationale	No	
7.	Do you believe Proposed Modification P122 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	Objective C. It will help promote competition by ensuring that participants do not need to maintain unreasonably high levels of credit cover.  Objective D. It will lead to more efficient credit arrangements.
8.	Are there any further comments on P122 that you wish to make?	No	

**P122\_ASS\_007 – Innogy**

<b>Respondent Name:</b>	Ben Willis
<b>No. of BSC Parties Represented</b>	9
<b>BSC Parties Represented</b> <i>Please list all BSC Parties responding on behalf of (including the respondent company if relevant).</i>	Innogy plc, Innogy Cogen Ltd, NP Cogen Trading Ltd, Npower Ltd, Npower Direct Ltd, Npower Yorkshire Ltd, power Yorkshire Supply Ltd, Npower Northern Ltd, Npower Northern Supply Ltd
<b>No. of Non BSC Parties Represented</b>	
<b>Non BSC Parties represented</b> <i>Please list all non BSC Parties responding on behalf of (including the respondent company if relevant).</i>	
<b>Role of Respondent</b>	Supplier / Generator / Party Agent

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
1.	Do you agree that holiday periods should be limited to the Christmas-New Year period and Easter period as described in the document? Please give rationale	Yes	Other non-national holidays do have the same impact as these two main holidays and should thus be disregarded for the purpose of defining holiday periods.
2.	Do you agree with the SSMG view that the rules for assigning a holiday CALF value should be in the CALF Guidelines? Please give rationale	Yes	The CALF Guidelines strike a balance between flexibility and transparency. They avoid the lengthy Modification process when changes are necessary, and are freely available for all to read and question.
3.	Do you agree with the SSMG that option B is the most appropriate process for dealing with material doubt for P122? Please give rationale.	Yes	This process retains flexibility and avoids a prescriptive methodology that may itself have to be appealed.
4.	Do you support the implementation approach described preferred by the Modification Group? Please give rationale	Yes	

	<b>Question</b>	<b>Response</b>	<b>Rationale</b>
5.	Do you believe there are any alternative solutions that the Modification Group has not identified and that should be considered? Please give rationale	No	
6.	Does P122 raise any issues that you believe have not been identified so far and that should be progressed as part of the Assessment Procedure? Please give rationale	No	
7.	Do you believe Proposed Modification P122 better facilitates the achievement of the Applicable BSC Objectives? Please give rationale and state objective(s)	Yes	We believe the Modification better facilitates objectives (b), efficient, economic and co-ordinated operation, and (c), promoting effective competition.
8.	Are there any further comments on P122 that you wish to make?	No	