



APRIL 2003

**INITIAL ASSESSMENT OF MODIFICATION  
PROPOSAL P122 - ASSESSMENT OF  
CREDIT COVER DURING HOLIDAY  
PERIODS**

Prepared by ELEXON Limited

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## I DOCUMENT CONTROL

### a Authorities

Version	Date	Author	Reviewer	Change Reference
0.1	01/04/03	Joanne Ellis	Change Delivery	Initial draft for peer review
0.2	02/04/03	Joanne Ellis	Change Delivery / Service Delivery	Technical review
0.3	03/04/03	Joanne Ellis	Change Delivery	Quality review
1.0	04/04/03	Change Delivery	Change Delivery	Issued to Panel for decision

### b Distribution

Name	Organisation
Each BSC Party	Various
Each BSC Agent	Various
The Gas and Electricity Markets Authority	Ofgem
Each BSC Panel Member	Various
energywatch	energywatch
Core Industry Document Owners	Various

### c References

Reference	Document	Owner	Issue Date	Version
1	Modification Proposal P123 'Assessment of Credit Cover following a change in a Party's portfolio'		26/03/03	1.0

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## 1 SUMMARY

Modification Proposal P122 'Assessment of Credit Cover during Holiday Periods' (P122), included in Annex 1, was raised on 26 March 2003 by BizzEnergy.

An initial assessment of P122 has identified that there are potential changes to BSCCo systems and processes and BSC Agent processes. Detailed assessment is required in order to quantify these impacts more accurately and to determine if P122 better facilitates achievement of the Applicable BSC Objectives. It is recommended that P122 be submitted to a 3-month Assessment Procedure.

This initial assessment has identified several issues that will need to be considered during the assessment of P122. Further details can be found in section 12 of this document and the main issues are summarised below:

- P122 should be assessed by the Settlement Standing Modification Group (SSMG) with additional credit experts invited;
- P122 should be assessed in parallel with Modification Proposal P123 'Assessment of Credit Cover following a change in a Party's Portfolio' (reference 1), as the issues are similar, they will benefit from a parallel Assessment Procedure;
- The SSMG should consider how BSCCo will pre-empt material doubt and what systems and processes are required to ensure that this is robust;
- The Assessment Procedure should determine when and how the Panel determine the standard yearly holiday periods and what criteria they should follow for determining what constitutes a holiday period or additional period to be agreed at short notice;
- Consideration should be given to how the holiday Credit Assessment Load Factor (CALF) values are to be determined and approved, and what evidence is required from a Party requesting a holiday CALF. The SSMG should also consider if the same CALF value should be used for all holiday periods;
- P122 only describes material doubt associated with instances of Level 1 Credit Default. Consideration should be given as to whether the process should be expanded to include material doubt associated with Level 2 Credit Default; and
- The SSMG should consider if BSCCo is the most appropriate organisation to carry out the alternative calculations.

On the basis of this Initial Written Assessment, the Balancing and Settlement Code Panel ('the Panel') is invited to:

- a) **DETERMINE that Modification Proposal P122 should be submitted to the Assessment Procedure in accordance with section F2.6 of the Code;**
- b) **AGREE the Assessment Procedure timetable such that an Assessment Report should be completed and submitted to the Panel for consideration at their meeting of 10 July 2003;**
- c) **DETERMINE that the Assessment Procedure should be undertaken by the Settlement Standing Modification Group; and**
- d) **AGREE any refinement to the Modification Group Terms of Reference.**

## 2 INTRODUCTION

This Report has been prepared by ELEXON Ltd. on behalf of the Balancing and Settlement Code Panel, in accordance with the terms of the Balancing and Settlement Code ('the Code'). The Code is the legal document containing the rules of the balancing mechanism and imbalance settlement process and related governance provisions. ELEXON is the company that performs the role and functions of the BSCCo, as defined in the Code.

## 3 DESCRIPTION OF MODIFICATION PROPOSAL

### 3.1 Background

P122 seeks to allow the determination of Credit Cover over a predefined holiday period to be different to that currently used. The issues that a Party currently faces can be summarised as:

- CALF is currently set for a BSC Season and in general cannot be amended during the season to account for load changes over a defined period;
- Credit Cover Percentage (or Energy Indebtedness) uses CALF and actual trading charges to provide an indication of the credit liability of the Party, see below for a more detailed explanation of the Credit Cover calculations;
- During a holiday period, for which no changes to Demand Capacity (DC) or CALF have been made, a Party's Credit Cover Percentage can be unrepresentative of their credit liability. In certain circumstances this may mean a Party either has to lodge additional Credit Cover, with a cost to that Party for doing so, or risk going into Credit Default.

P122 seeks to ensure that a more reflective Credit Cover Percentage can be determined, thereby removing the need for either posting additional Credit Cover or entering Credit Default. It seeks to do this by allowing BSCCo to pre-empt entry into Credit Default by that Party, by allowing material doubt on that Credit Default effectively before it happens and also seeks to allow a Party to change CALF for a predefined holiday period. This is described in more detail in section 3.2.

The calculation for Credit Cover Percentage is directly proportional to a Party's Energy Indebtedness. In simple terms Energy Indebtedness is calculated from the approximated expected imbalance of the Party and an approximation of the Energy Imbalance Charges for that imbalance. The calculation is cumulative over 29 days, i.e. from the Settlement Period to initial payment and comprises two parts, Credited Energy Indebtedness and Actual Energy Indebtedness.

- a) Credited Energy Indebtedness: This is calculated from the BM Unit Credit Assessment Import or Export Capability which is based on Generation Capacity (GC) or  $DC * CALF$ . This is used to calculate the average potential metered volume of the BM Unit. This is used for days for which there is no actual data available as the Interim Run (II) data is not available (in general, the first 9 days).
- b) Actual Energy Indebtedness: This is calculated from the actual trading data available (metered volumes and trading charges) for the remaining 20 days of the calculation. Issues can arise here as the metered data for SVA BM Units is not available at the II stage and will not be available until the Initial Settlement Run (SF). This can lead to two problems:
  - (i) the SF Run is generally 15 Settlement Days after the II Run and therefore if there has been a change in load for that Party, it will not be reflected in the calculation; and

- (ii) on days where SF data is not available the metered volumes are calculated by using data from an "equivalent day" which is the most recent Settlement Day, which is the same day of the week, for which the SF Run data is available, this is not necessarily the most appropriate day to use as a holiday may be more equivalent to a Sunday.

### 3.2 Modification Proposal

P122 seeks to change the conditions relating to the determination of the level of Credit Cover as follows:

- a) The Panel will agree a set of holiday periods for each year. These may be periods such as the Christmas/New Year period and Easter. The Panel may also elect to set additional periods at short notice. These additional periods should be periods where the Panel has reason to believe that the pattern of offtake for SVA BM Units will be substantially different for certain types of Supplier portfolio from those normally prevailing in a season;
- b) The Party will be permitted to set a CALF value for all SVA registered BM Units that will be used during the defined holiday period;
- c) At the start of each holiday period, BSCCo will change the applied CALF value to be the holiday value and at the end will reset them to the prevailing value for the current BSC season;
- d) For the days where the holiday CALF value applies, the following processes could be followed:
  - (i) BSCCo will be authorised by the Panel to use specific alternative measures to reassess the level of Actual Energy Indebtedness of the affected BM Unit as under the current calculation the holiday days are compared in the Actual Energy Indebtedness calculation to previous non holiday days. This can therefore create an unreflective Credit Cover Percentage as a result of an "incorrect" Actual Energy Indebtedness calculation. The amended calculation will better reflect the level of metered energy offtaken at the BM Unit for the purposes of the Energy Indebtedness calculation for holiday periods. The Proposer suggests that a way of achieving this may be to change the calculation of BM Unit Metered Volume to use a Sunday as an equivalent day for a holiday Settlement Day. Alternatively it is suggested that a scaled value of BM Unit Metered Volume is used based on the BM Unit Credit Assessment Import Capability as a proportion of the total BM Unit Credit Assessment Import Capability of the GSP Group;
  - (ii) BSCCo and the Trading Party will disregard the Credit Cover Percentage notified by the Energy Contract Volume Aggregation Agent (ECVAA) under Section M3.1.4 of the Code, where the Party is not on Credit Default from the re-assessed Actual Energy Indebtedness;
  - (iii) BSCCo will recalculate the Credit Cover percentage using appropriate calculations derived from the alternative measures, as soon as reasonably practicable after each Settlement Day;
  - (iv) Where these alternative calculations of Credit Cover apply, BSCCo may instruct ECVAA to suspend submission of Level 1 Credit Default Notices to the affected Party, or may use other means to nullify the effect of such notices. This will be on the basis that the values derived from the alternative calculation represent material doubt that the ECVAA calculation of Actual Energy Indebtedness will be correct. This includes suspension of the start of the Query Period.

The Proposer believes that currently the Credit Cover required to be provided by Suppliers at times of low demand, during holiday periods, are not reflective of the actual level of indebtedness of the Supplier. For example a Supplier in the industrial and commercial sector can see demand drop by 30% compared to average seasonal demand.

The Proposer suggests that a Supplier who acts responsibly and aims to have no exposure to the imbalance mechanism will normally only have modest levels of Energy Indebtedness and given the current market conditions will normally be a creditor. However, the Proposer suggests that there are two problems that arise at times of low demand, these are:

- a) The use of a seasonal average CALF results in an unrealistically high level of Credit Assessment Energy Indebtedness during the Settlement Days for which the II run has not been completed. To address this, this P122 seeks to allow a specific holiday CALF to be applied.
- b) The use of "same day of the week" at the II run to calculate Actual Energy Indebtedness distorts the balance between domestic demand and industrial/commercial demand such that predominantly industrial and commercial portfolios are likely to be assessed as having too large a share of GSP Group Take, part of the Actual Energy Indebtedness calculation. To address this, P122 seeks to allow specific alternative measures to be applied by BSCCo for the recalculation of the Trading Party's Actual Energy Indebtedness that are more likely to reflect the metered offtake at such a BM Unit on holiday period days.

The Proposer suggests that these issues result in artificially high levels of Credit Cover being required and can unreasonably place these Suppliers in Credit Default, where the Supplier is unable to lodge the required Credit Cover in the timescales.

The Proposer also notes that currently BSCCo can only determine that the assessment of Actual Energy Indebtedness is erroneous once the ECVAAs has submitted to it a copy of the Level 1 Credit Default Notice that has been submitted to the affected Party. It should be noted that even then, BSCCo can only determine that there is material doubt in the calculation if:

- BSCCo is aware that the ECVAAs has not received relevant Interim Information data from the Settlement Aggregation Agent (SAA), Section M1.2.1(e)(i);
- BSCCo has substantial evidence or other reasons to believe that the data to be derived from the Initial Settlement Run for that Party and that Settlement Day are likely to be significantly different from the corresponding Interim Information Settlement Run data received by ECVAAs from the SAA, Section M1.2.1(e)(ii); or
- BSCCo is aware that there is material doubt as to whether the systems and processes used by ECVAAs are giving correct determination of the values of Credit Cover Percentage, Section M3.4.3(a).

A Party currently then has a Query Period of 24 hours, commencing from the time the default notice is received by the Party, regardless of holidays and weekends, to establish the accuracy of the information used in the calculation of Actual Energy Indebtedness and therefore reflected in their Credit Cover Percentage. This requires both the Party and BSCCo to provide expensive resources in order to collate the necessary information. BSCCo currently has no authority under the Code to anticipate the information, even where it has good reason to materially doubt the figures coming from the ECVAAs. To address this, P122 seeks to allow BSCCo to perform calculations for a period of time based on the approved alternative method and to use such calculations in preference to those made by the ECVAAs in the assessment of the Trading Party's Credit Cover Percentage. BSCCo should also be allowed to suspend, or suspend the effect of Level 1 Credit Default Notices raised by the ECVAAs that are based on the non-holiday period comparison.

The Proposer believes that P122 will better facilitate the achievement of Applicable BSC Objective (c), increasing competition in the supply and generation of electricity. The rationale given for this is that the Proposer believes that the appropriate level of Credit Cover should be representative of monies

potentially owed by a Party and under the circumstances described above this may not be so. The Proposer believes that this distortion of the competitive market is discriminatory against smaller Suppliers who specialise in the industrial and commercial sector, as the scale of the impact on their business is material and potentially places them in Credit Default unnecessarily.

In addition the Proposer believes that P122 seeks to promote the efficient operation of the Balancing and Settlement Arrangements, by reducing the instances where unnecessary Level 1 Credit Default notices are given and which must be queried and resolved in a tight timescale.

#### 4 IMPACT ON BSC SYSTEMS AND PROCESSES

BSC System / Process	Potential Impact of Proposed Modification
Credit Checking	Potential impact on ECVAA systems and processes for handing the credit checking process if BSCCo request that they suspend submission of Level 1 Credit Default Notices.
Settlement	Potential impact on SAA if there is a change to the day to be used as the equivalent day for determination of BM Unit Metered Volumes.

#### 5 IMPACT ON OTHER SYSTEMS AND PROCESSES USED BY PARTIES

No impacts identified.

#### 6 IMPACT ON DOCUMENTATION

##### 6.1 Impact on Balancing and Settlement Code

BSC Section	Potential Impact of Proposed Modification
M: Credit Cover and Credit Default	The rules for giving "Authorisation by BSCCo" for Credit Default and the application of material doubt may need to be amended.  The rules for amending CALF may need to be changed and the addition of rules for setting of holiday periods and the use of CALF within them may be needed.
T: Settlement and Trading Charges	The rules in T4.2.2, for which type of equivalent day is used during calculation of BM Unit Metered Volume for use in the Energy Indebtedness calculations, may need to be changed to allow a Sunday to be used, instead of a working day, on holidays.

##### 6.2 Impact on Code Subsidiary Documents

Code Subsidiary Document	Potential Impact of Proposed Modification
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Code Subsidiary Document	Potential Impact of Proposed Modification
BSC Procedures	Changes to BSCP15 "BM Unit Registration" may be required to reflect the process for setting a CALF value for a holiday period.
BSC Service Descriptions	<p>The ECVAA Service Description may need to be amended if the circumstances in which they need to suspend the submission of Level 1 Credit Default are changed by P122.</p> <p>The CRA Service Description may need amendment if the rules for changing CALF are amended.</p> <p>The SAA Service Description may need to be updated if the rules for calculation of Metered Volume are changed.</p>

### 6.3 Impact on Core Industry Documents

No impacts identified.

### 6.4 Other Documents and Processes

Item	Potential Impact of Proposed Modification
CALF Guidelines	The CALF Guidelines give details of how a CALF value is determined for different types of BM Unit. These may need to be amended with details of any new procedures agreed during assessment of P122.
BSC Business Process Model	The BSC Business Process Model will need to be updated with any changes in process that come out of P122.
Obligations Register	This will need to be updated with any new obligations that are placed on BSCCo as a result of P122.

## 7 IMPACT ON OTHER CONFIGURABLE ITEMS

No impacts identified.

## 8 IMPACT ON BSCCO AND THE BSC PANEL

Area of Business	Potential Impact of Proposed Modification
BSC Panel	If the current process for appealing CALF is used, there will be additional workload on the Panel or its subcommittee, the Imbalance Settlement Group if there were a lot of additional CALF values

	to be determined throughout the year. The Panel would also need to determine the holiday periods and may need to determine additional periods at short notice.
ELEXON Systems	A system may need to be developed to calculate the materiality of a change in CALF and to reassess the level of Energy Indebtedness of a BM Unit.
ELEXON Procedures	Impact on procedures for dealing with CALF revisions. Impact on procedures used by the Credit team for analysing if material doubt has been established and for dealing with ECVAA.
Other (e.g. costs, staffing, etc.)	There may be a need for additional BSCCo staff if the process places additional obligations on BSCCo.

## 9 IMPACT ON FINANCIAL ARRANGEMENTS AND BUDGET

No impacts identified.

## 10 IMPACT ON BSC AGENT CONTRACTUAL ARRANGEMENTS

No impacts identified.

## 11 PROCESS AND TIMETABLE FOR PROGRESSING THE PROPOSAL

BSCCo recommends that this Modification Proposal be submitted to the SSMG with additional credit experts, for further assessment. The SSMG should be actioned to provide its report to the Panel by 10 July 2003.

The rationale for a 3-month Assessment Procedure is to allow the SSMG sufficient time to assess the issues associated with P122 and determine if it better facilitates achievement of the Applicable BSC Objectives. A proposed timetable is attached in Annex 2.

## 12 ISSUES

The following issues will need to be considered and addressed by the SSMG when progressing P122.

- Industry experts with experience of dealing with credit issues should be invited to join the SSMG for assessment of P122;
- P122 should be assessed in parallel with P123. Although P122 and P123 are sufficiently different to not be amalgamated, the issues associated with them are of a similar nature and therefore they will benefit from a parallel Assessment Procedure;
- The proposed revisions to the material doubt process include a requirement for BSCCo to get the Panel's approval for the granting of material doubt. It is unclear if this just for pre-emptive material doubt or if it is for all cases. In any case this represents additional requirements and could delay the material doubt process, which P122 is seeking to streamline;

- The introduction of BSCCo assessed, pre-emptive material doubt aims to achieve a reduction in out-of-hours cover that needs to be provided by the Party or BSCCo. However, it is not clear when the material doubt period ends. This will require ongoing monitoring by BSCCo, and may not necessarily reduce the out-of-hours cover;
- The Assessment Procedure should determine when and how the Panel determine the standard yearly holiday periods and what criteria they should follow for determining what constitutes a holiday period;
- If the Panel is to determine “additional periods at short notice where there is reason to believe that the pattern of offtake at SVA BM Units will be substantially different,” the Assessment Procedure should determine what level of materiality or magnitude of the anticipated change to the CALF should prompt this and if it is to be prompted, whether it will be at the request of the Party or BSCCo. If it is to be BSCCo this will required additional continuous monitoring to be carried out and will also require a set of criteria to be established to ensure that the rules are applied consistently to all Parties;
- P122 does not state how the holiday CALF is to be determined or approved, other than a Party can set a CALF value for all SVA registered BM Units that will be used during the defined holiday periods. The Assessment Procedure should determine what the procedure is, whether this should be defined in the Code or the CALF Guidelines and what evidence is required;
- P122 implies that one CALF value, for each SVA BM Unit, will be used for all holiday periods. However this may not be the most appropriate method and it should be clarified during the Assessment Procedure;
- The Assessment Procedure should determine how the calculations to be carried out by BSCCo differ from those that are currently carried out by ECVA, on behalf of BSCCo, and whether it is cost effective for BSCCo to duplicate the calculations;
- The Modification Group should consider if BSCCo is the most appropriate person to carry out the calculations and if it would not be more appropriate for someone else to do these calculations; and
- P123 only mentions the processes associated with Level 1 Credit Default. Consideration should be given to whether the process should be expanded to include the circumstances of Level 2 Credit Default.

**ANNEX 1 MODIFICATION PROPOSAL**

<b>Modification Proposal – F76/01</b>	<b>MP No: 122</b> <i>(mandatory by BSCCo)</i>
<b>Title of Modification Proposal</b> <i>(mandatory by originator):</i> <b>Assessment of Credit Cover during Holiday Periods</b>	
<b>Submission Date</b> <i>(mandatory by originator):</i> 26 <sup>th</sup> March 2003	
<b>Description of Proposed Modification</b> <i>(mandatory by originator)</i>	
<ol style="list-style-type: none"> <li>1. The Panel is required to set holiday periods for each year (e.g. the Christmas/New Year period and Easter), and may elect to select additional periods at short notice where there is reason to believe that the pattern of offtake at SVA BMUs will be substantially different for certain types of supplier portfolio from those normally prevailing in a season.</li> <li>2. Under M1.5, each Party is permitted to set a holiday CALF in respect of all BMUs registered in SVA to apply just for days in the holiday period.</li> <li>3. At the start of each Holiday Period BSCCo will change the applied CALF to be the holiday values, and at the end of the Holiday Period will reset them to the prevailing seasonal values.</li> <li>4. For the same days where this holiday CALF applies for a specific BMU, BSCCo will be authorised by the Panel to use an alternative measure to reassess the level of Actual Energy Indebtedness of the affected BMU where such measures are deemed more likely to reflect the level of metered energy offtaken at the BMU for the purposes of Energy Indebtedness calculation. BSCCo and the Trading Party will consequently disregard the Credit Cover percentage notified by the ECVAA under M3.1.4 for that Trading Party and BSCCo will recalculate such Credit Cover percentage using appropriate calculations derived from the alternative measures as soon as reasonably practicable after each Settlement Day.</li> <li>5. Where such alternative calculations apply, BSCCo may instruct the ECVAA to suspend the submission of level 1 credit default notices (specified in M3.2.1) to the affected party or may use other means to nullify the effect of such notices issued (including the suspension of the start of the Query Period) on the basis that the values derived from the alternative calculation represent material doubt that the ECVAA calculation of Actual Energy Indebtedness offers a correct determination.</li> </ol>	
<b>Description of Issue or Defect that Modification Proposal Seeks to Address</b> <i>(mandatory by originator)</i>	
<p>Currently the levels of Credit Cover required to be provided by Suppliers at times of low demand during holiday periods are not reflective of the actual level of indebtedness of the Supplier. For a Supplier in the Industrial and Commercial sector demands over holiday period can be around 30% of average seasonal demands.</p> <p>A Supplier who acts responsibly and aims to run with no exposure to the imbalance mechanism will normally only have modest levels of Energy Indebtedness (<i>indeed given current market conditions will normally be a creditor</i>). However, at times of low demand there are two problems:</p> <ol style="list-style-type: none"> <li>1. The use of a seasonal average CALF results in an unrealistically high level of Credit Assessment Energy Indebtedness during the Settlement Days for which the II run has not been completed. To address this, this proposal seeks to allow a specific holiday CALF to be applied.</li> <li>2. The use of "same day of the week" at the II run to calculate Actual Energy Indebtedness distorts the balance between domestic demands and industrial/commercial demands such that predominantly I&amp;C portfolios are likely to be assessed as having too large a share of GSP Group take. To address this, this proposal seeks to allow specific alternative measures to be applied by BSCCo for the recalculation of the</li> </ol>	

<b>Modification Proposal – F76/01</b>	<b>MP No: 122</b> <i>(mandatory by BSCCo)</i>
<p>Trading Party's Actual Energy Indebtedness that are more likely to reflect the metered offtake at such a BMU on holiday period days.</p> <p>These problems result in artificially high levels of Credit Cover being demanded and can unreasonably place such suppliers into credit default just when they are unable to raise additional credit, due to the non-banking days, and when the risk does not actually exist.</p> <p>Under M3.4.3(a), BSCCo can only determine that the assessment of Actual Energy Indebtedness is erroneous once the ECVAAs has submitted to it a copy of the level 1 default notice that has been submitted to the affected party. This allows the Party to raise a default query notice within a Query Period of 24 hours commencing from the time the default notice was received by the Party. Because this Query Period is regardless of holidays and weekends both the Party and BSCCo are required to provide expensive resources in order to establish the materiality of any doubt as to the accuracy of the information used in the calculation of Actual Energy Indebtedness. BSCCo has no right to anticipate the information even where it has good reason to materially doubt the figures coming from the ECVAAs. To address this, this proposal seeks to allow BSCCo to maintain calculations for a period of time based on the approved alternative method and to use such calculations in preference to those made by the ECVAAs in the assessment of the Trading Party's Credit Cover Percentage and to suspend, or suspend the effect of level 1 default notices raised by the ECVAAs that were based on the original methodology.</p>	
<b>Impact on Code</b> <i>(optional by Originator)</i>	
<b>Impact on Core Industry Documents</b> <i>(optional by Originator)</i>	
<p><b>Impact on BSC Systems and Other Relevant Systems and Processes Used by Parties</b> <i>(optional by originator)</i></p> <p>It is likely that the processes required within this proposal will only be activated for certain BMUs where holiday CALF is significantly different to seasonal CALF and so manual systems operated by BSCCo may be substituted for systems changes that would otherwise need to be implemented by the ECVAAs.</p> <p>BSCCo will have a mandated alternative methodology for assessing material doubt as to the ECVAAs calculation, exercised under the authority of the Panel. Given that the process will be triggered by a recalculation of CALF:</p> <ol style="list-style-type: none"> <li>1. it will be feasible to calculate a share based on BMCAIC as a proportion of summated BMCAIC for all the SVA BMUs in a GSP Group and use this as a scaling factor for reducing <math>QM_{ij}</math> relative to that calculated by the ECVAAs in T4.2.2 (noting that BMCAIC is used as a proxy for <math>QM_{ij}</math> in the credit calculations). Because this share will only change when there is a change to any DC or CALF that affects the GSP Group, this share will be reasonably constant in the short term. This can be used to either reassess all Trading Charges or potentially just to reassess the component of Trading Charges representing imbalance charges.</li> </ol> <p>Alternatively:</p> <ol style="list-style-type: none"> <li>2. the Day d' in T4.2.2(d) could be set at the most recent Sunday where it is used for the calculation of a GSPGT, and the resultant <math>QM_{ij}</math> can be used to either reassess all Trading Charges or else to reassess only the imbalance charges component.</li> </ol> <p>Furthermore, BSCCo will be able to use this methodology to recalculate Energy Indebtedness for the affected Party on an ongoing basis and will be able to reassess Actual Energy Indebtedness before any level 1 default notice is raised and this can therefore be done in normal business hours.</p>	

<b>Modification Proposal – F76/01</b>	<b>MP No: 122</b> <i>(mandatory by BSCCo)</i>
<b>Impact on other Configurable Items</b> <i>(optional by originator)</i>	
<b>Justification for Proposed Modification with Reference to Applicable BSC Objectives</b> <i>(mandatory by originator)</i>	
<p>The appropriate level of credit cover should be representative of monies potentially owed; under these circumstances, this is not so. This distortion of the competitive market is discriminatory against smaller Suppliers who specialise in the industrial and commercial sector, as the scale of the impact on their business is material, potentially placing them in breach of the Code.</p> <p>We believe this Modification is in line with Condition C3 (3)(a) to (c) of the Transmission Licence, namely: promoting effective competition in the generation and supply of electricity, and (so far as consistent therewith) promoting such competition in the sale and purchase (as defined in the Transmission Licence) of electricity.</p> <p>This also seeks to promote the efficient operation of the BSC by reducing the instances where unnecessary level 1 default notices are given, which must be queried.</p>	
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<b>Attachments: No</b> <i>(delete as appropriate) (mandatory by originator)</i>	
<b>If Yes, Title and No. of Pages of Each Attachment:</b>	

### ANNEX 2 PROPOSED TIMETABLE FOR PROGRESSION

