

P248 Consultation Responses

Consultation issued on 14 December 2009

We received responses from the following Parties

Company	No BSC Parties / Non-Parties Represented	Role of Parties/non-Parties represented
EDF Energy	13/0	<i>Supplier/Generator/Trader/Consolidator/Exemptable Generator/Party Agent/Distributor</i>
RWE npower	10/0	Supplier/Generator/ Trader / Consolidator / Exemptable Generator / Party Agent
E.ON UK	6/0	Supplier / Generator / Trader / Consolidator / Exemptable Generator
SAIC Ltd. (for and on behalf of ScottishPower)	7/0	Supplier / Generator / Trader / Consolidator / Exemptable Generator / Distributor

What stage is this document in the process?

01 Initial Written Assessment

02 Definition Procedure

03 Assessment Procedure

04 Report Phase

Question 1: Do you agree with the Panel's initial recommendation that P248 will better facilitate the achievement of Applicable BSC Objectives (d) when compared with the existing BSC requirements and that P248 should therefore be approved?

Summary

Yes	No	Neutral/Other
4	0	0

Responses

Respondent	Response	Rationale
EDF Energy	Yes	Avoiding the need for changes to the systems and processes currently used by ECVAA to handle interest payments should better meet BSC objective (d), given there would be no future efficiency savings by calculating interest in the manner currently specified in the BSC.
RWE npower	Yes	The principle for aligning the BSC with the FAA method used to calculate interest payments was established under P235, which removed uncertainty over the method used by FAA to calculate interest on Reconciliation Charges. Applying the same principle to other interest calculations specified in the BSC and aligning them with the FAA method will remove any confusion over how interest is calculated, and will provide clarity to participants. This will promote transparency and efficiency, thereby better facilitating Applicable BSC Objective (d).
E.ON UK	Yes	Code clarity is vital and removing existing potential for confusion and challenge by bringing the BSC requirements in line with the actual FAA interest calculation method would better facilitate the Applicable Objectives. As with P235, retrospective implementation would best reduce uncertainty by confirming that the more appropriate interest calculations as used by the FAA will not be changed and that Parties could not seek to benefit by disputing the difference between any actual calculations and the original BSC drafting. Thus supporting BSC objective d), and arguably c).
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	We agree that aligning the BSC with the current (correct) system behaviour would be more efficient as it removes uncertainty and the possibility of a long protracted disputes process.

Question 2: Do you agree with the Panel's suggestion that P248 should be implemented retrospectively back to NETA Go-Live on 27 March 2001?

Summary

Yes	No	Neutral/Other
4	0	0

Responses

Respondent	Response	Rationale
EDF Energy	Yes	We support retrospective implementation only in the special circumstances described, where the change would reflect custom and practice in an infrequently used process whose materiality is small, and for which objections have not been received.
RWE npower	Yes	We support this for the same reasons as those put forward in our response for P235. Calculating interest on a compound basis has always been the intended and correct method. Retrospective implementation back to NETA Go-live on 27 March 2001 would protect Parties from the risk and cost of calculations being challenged through the Trading Disputes process. In this case retrospective implementation would remove (rather than create) uncertainty.
E.ON UK	Yes	Although retrospective implementations are generally undesirable, as per answer to question 1 in this case as with P235, retrospective implementation to NETA Go-Live 27/03/01 is most appropriate to remove the inconsistencies.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	This is in line with the implementation for P235. The rationale used there was market certainty (as it avoided the possibility of retrospective compensation claims). This argument also applies in this case.

Question 3: Do you agree that the legal text delivers the intention of P248?

Summary

Yes	No	Neutral/Other
3	0	1

Responses

Respondent	Response	Rationale
EDF Energy	-	<p>Elxon have clarified queries we raised on the legal text:</p> <p>Is there currently any difference between the "Default Rate" (proposed to be eliminated) and the "Default Interest Rate" in relation to interest payments? Elxon confirmed the existing text uses two names for the same item and the new text rationalises this to a single name.</p> <p>Should proposed U2.2.3(i)(i)(2) make clear that the interest is in relation to the amount originally transferred in an Extra Settlement determination (which is being effectively undone because a subsequent settlement reconciliation will or has fully accounted for the relevant correction and interest), and not the equal and opposite amount being transferred referred to in paragraph (1)? Elxon have confirmed that the intention of the legal text is the rational one that interest assumed to be foregone by a party as a result of an initial ESD payment by the party shall be received with any subsequent reversal of the ESD payment, and any interest assumed to be earned by a party as a result of an initial ESD receipt by it shall be paid with any subsequent reversal of the ESD receipt.</p> <p>U2.2.3A: Should the clause specify interest from the actual payment date rather than the date on which the payment was due? Elxon responded that "In practice, the FAA has never made a late payment. If it did happen, our view is that it's likely that this would be dealt with in practice by issuing an updated Advice Note with an extended Payment Date (and with the Party being entitled to interest up to that extended Payment Date)."</p>
RWE npower	Yes	The legal text aligns the BSC with current commercially correct practice.
E.ON UK	Yes	It appears appropriate.
SAIC Ltd. (for and on behalf of ScottishPower)	Yes	-

Question 4: Do you have any further comments on P248?

Summary

Yes	No	Neutral/Other
-	4	

Responses

Respondent	Response	Rationale
EDF Energy	No	
RWE npower	No	
E.ON UK	No	
SAIC Ltd. (for and on behalf of ScottishPower)	No	-